DOCUMENT RESUME

ED 305 143 PS 017 857

AUTHOR Reisman, Barbara; And Others
TITLE Child Care: The Bottom Line. An Economic and Child Care Policy Paper.
INSTITUTION Child Care Action Campaign, New York, NY.
SPONS AGENCY Carnegie Corp. of New York, N.Y.; Consolidated Edison Co., Brooklyn, N.Y.; Ford Foundation, New York, N.Y.
PUB DATE 88
NOTE 85p.
PUB TYPE Viewpoints (120) -- Reports - Research/Technical (143)

EDRS PRICE MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS *Community Responsibility; Cost Effectiveness; *Day Care; *Delivery Systems; *Economic Factors; Employer Supported Day Care; Futures (of Society); *Government Role; Labor Force Development; One Parent Family; *Public Policy; Social Change; Welfare Services
IDENTIFIERS Welfare Reform

ABSTRACT

The Child Care Action Campaign commissioned research from nine leading economists and policy analysts for the purpose of focusing attention on the link between economic well-being and child care. After the preparation of the research, a national convention was convened to discuss the connection between child care and economic well-being, and to develop a policy consensus for action. A total of 850 leaders from all 50 states attended. This report provides a synthesis of the economic research presented and the policy discussions held at the conference. Part 1 provides the Child Care Action Campaign's statement of policy, including eight key principles underlying a coordinated system of child care. Also provided are recommendations for federal, state, and local governments, employers, academia, media, parents, and the public. Part 2 offers a discussion of the child care market in terms of the current system and its users, high quality care, and sources of leadership. Part 3 considers the relation between child care and the nation's economy. Discussion in this part focuses on: (1) change in the economy, the family, and the labor force; (2) the effect of child care on the labor force; (3) poverty and welfare reform; and (4) early education and the future labor force. A brief description of the nature of corporate involvement in child care is appended. (RH)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED305143

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

X This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL IN MICROFICHE ONLY HAS BEEN GRANTED BY

Barbara Reisman

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

Child Care: The Bottom Line

CCAC
CHILD CARE ACTION CAMPAIGN

AN ECONOMIC AND CHILD CARE POLICY PAPER

PS 017857

Child Care: The Bottom Line

AN ECONOMIC AND CHILD CARE POLICY PAPER

Prepared by Barbara Reisman, Amy J. Moore and Karen Fitzgerald

copyright CCAC, 1988

Formed in 1983, the Child Care Action Campaign (CCAC) is a national coalition of leaders from a wide range of American institutions and organizations: government, the media, corporations, unions, community, religious, and women's groups, and child care experts. *Our long range goal is to set in place a national system of child care using all existing resources, both public and private.*

Our activities focus on two broad areas:

- **Advocacy:** To bring new and influential leaders into the debate over child care from the broadest range of sectors and to focus attention on the need for a national policy on child care; and

- **Information:** To collect, analyze and disseminate information about public-private initiatives, child care legislation, and state-level efforts at planning and coordination, with a particular emphasis on the *process* of achieving consensus and implementation.

Honorary Chairman
President Gerald R. Ford

President
Elinor Guggenheimer

Vice-President
Sey Chassler

Vice-President
Dana Friedman, Ed.D
The Conference Board
Vice-President

Secretary
Rosalind B. Chaikin

Treasurer
Sue Plastrik
National Council of Jewish Women

Hans H. Angermueller
Citicorp
Susan Aronson, M.D.
Fellow, American Academy of Pediatrics
James A. Autry
Meredith Corporation
Hon. Bruce Babbitt
State of Arizona
Helen Blank
Children's Defense Fund
Myrna Blyth
Ladies Home Journal
T. Berry Brazelton, M.D.
Harvard Medical School
Vivian Cadden
Working Mother Magazine
Bettye M. Caldwell, Ph.D.
University of Arkansas at Little Rock
John B. Carter
Equitable Life Assurance Society
John Mack Carter
Good Housekeeping
William Chaney
Tiffany & Company
Hon. Hillary Rodham Clinton
State of Arkansas
Ted Cott
Kanan, Corbin, Schupak & Arnow, Inc.
Susan DeConcini
State of Arizona
Benita Feurey
Good Housekeeping
Vincent J.Fontana, M.D.
New York Foundling Hospital
Muriel Fox
NOW Legal Defense and Education Fund
Ellen Galinsky
Bank Street College of Education
Gary David Goldberg
UBU Productions
Meryl R. Grayer, Ph.D.
National Federation of Business and Professional Women's Clubs
Beverly Roberson Jackson, Ed.D.
United Methodist Church
Hon. Marlene Johnson
State of Minnesota

Sheila B. Kamerman, D.S.W.
Columbia Univ. School of Social Work
Rev. Eileen W. Lindner
National Council of Churches
Kate Rand Lloyd
Working Woman Magazine
Rosemary Mans
BankAmerica
Jewell Jackson McCabe
National Coalition of 100 Black Women
Gerald McEntee
American Federation of State, County and Municipal Employees, AFL-CIO
Evelyn Moore
National Black Child Development Institute
Gwen Morgan
Wheelock College
Irene Natividad
National Women's Political Caucus
Arthur L. Novell
Markham/Novell Communications, Ltd.
Sally Orr
Association of Junior Leagues
Letty Cottin Pogrebin
Ms. Magazine
William J. Popejoy
American Savings and Loan Association
Sandra Salyer
Mervyn's
Michelle Seligson
Wellesley College Center for Research on Women
Francine Sommer
Gabelli Value, Inc.
Richard B. Stolley
Time, Inc.
James Strickland
Child, Inc.
Dee Topol
American Express
Helen R. Walton
Walton Enterprises
Bernice Weissbourd
Family Focus, Inc.
Hon. Linda Gale White
State of Texas
Edward Zigler, Ph.D.
Bush Center, Yale University

General Counsel:
Jane Macon
Fulbright, Jaworski

Executive Director:
Barbara Reisman

Organizations listed for identification only

This book would not have been possible without the generous advice and support of many people. By naming some of the most noteworthy, we intend also to include the parents, the providers, and the involved citizens all across the nation who struggle daily to care for children.

The entire Child Care Action Campaign Board of Directors commented on, edited, advised, and debated this document. We would like particularly to thank Sey Chassler; Kate Rand Lloyd; Gwen Morgan; Sheila Kamerman; Dana Friedman.

We also want to thank each of the corporations, unions, and philanthropic foundations which supported the entire "Child Care: The Bottom Line" effort; without their generous funding, this contribution to the child care debate would not have been possible: American Express Foundation; The American Federation of State, County and Municipal Employees; The Carnegie Corporation; Consolidated Edison Company of New York, Inc.; Continental Insurance Corporation Foundation; The Equitable Foundation; Ford Foundation; Hoechst/Celanese Corporation; James C. Penney Foundation; Mailman Family Foundation; The New York Times Company Foundation, Inc.; Sara Lee Corporation; The S.C. Johnson Foundation; Xerox Corporation; and to *Good Housekeeping* which lent us Bruce Danbrot; without whom there would be no printed page.

We also want to thank the National Association for the Advancement of Colored People Legal Defense and Education Fund (NAACP-LDEF) for their gracious offer of library resources and space.

And finally, we want to thank Karen Fitzgerald, Barbara Reisman, Amy J. Moore and the entire Child Care Action Campaign staff.

Elinor Guggenheimer
The Child Care Action Campaign
September, 1988.

1. **PREFACE** 9

2. **PART ONE: CHILD CARE ACTION CAMPAIGN STATEMENT OF POLICY** 13
Eight Key Principles for a Comprehensive Child Care Policy 15
CCAC's Recommendations for a National Child Care Policy 17
What The Federal Government Should Do 17
What State and Local Governments Should Do 19
What Employers Can Do 21
What Academia Can Do 23
How The Media Can Help 24
What Parents and the Public Need to Do 25

3. **PART TWO: THE CHILD CARE MARKET** 27
The Current System of Care: Who Needs What? Who Uses What? 29
What Families Gain and What They Lose When They Provide Child Care Themselves 31
If There's No Shortage, What's the Problem? 32
The Role of The Public Schools in Supplying Child Care 33
The Cost of Child Care 36
The Funding of Child Care 38
Ensuring Quality Child Care 40
Where Will Child Care Leadership Come From? 42

4. **PART THREE: CHILD CARE AND THE NATION'S ECONOMY** 47
The Changing American Economy 50
The Changing American Family 51
The Changing Labor Force 53
The Effect of Child Care on the Labor Force 61
Business: What the Private Sector Gains From Child Care 63
What Role do Employees Play in Solutions to the Child Care Crisis? 68
Poverty: Is Child Care the Key to Welfare Reform? 68
Why Are Single Mothers Especially Important to our Economy? 71
Child Care, Early Education, and the Future Labor Force 77

5. **CONCLUSION** 83

6. **APPENDIX I** 87

7. **BIBLIOGRAPHY** 89

Never before in the history of the United States has the issue of child care been so inextricably linked with the state of the nation's economy. Not only does the availability of affordable, high-quality child care affect the well-being of the majority of American families, it affects the bottom line of every business in the nation and, as 45% of the labor force is female, inevitably it affects the United States' ability to compete successfully in a global economy.

Today, while child care receives ever-growing attention, the nation has failed to implement the policies necessary to support its families. Both major political parties and both Presidential candidates have made it a byword in their speeches. Vice President Bush has proposed a $2.2 billion child care program, including a child allowance for poor families with children under four. Governor Dukakis has endorsed the concept of the Act for Better Child Care, a $2.5 billion bill to help families pay for care, and to improve and expand the child care system. During the 100th Congress, close to 100 bills were introduced which focus on or include some provision for child care.

The Act for Better Child Care (H.R. 3660, S. 1885) — a bill co-sponsored by 169 Representatives and 40 Senators, and backed by 130 national organizations, from the Child Care Action Campaign, the Children's Defense Fund and the National Black Child Development Institute, to the Association of Junior Leagues, and the American Academy of Pediatrics — is the most comprehensive approach to the Federal role in child care since 1971.

At the state level, the National Governors Association has called for renewed attention to child care and preschool education to give young children the right start. A majority of states have established advisory commissions on Children, Youth, and Families. An increasing number of state legislatures have created special committees designed to address issues of children and youth. According to the National Council of State Legislators, there are currently 22 such committees in 17 states, two study committees and three select committees.

Over the past decade, the number of employers providing some form of child care assistance has increased from 110 to 3,500. Many more companies are studying means of providing child care assistance to benefit their business as well as their employees.

These initiatives, taken together, are inadequate to meet the need for child care caused by dramatic changes in the American family and economy.

Today more than half of all mothers return to work before their babies' first birthdays. There are 10 million children under the age of six who have their only parent or both parents in the labor force. Fewer than

seven percent of all American households fit the mold of the "traditional" American family—the male breadwinner, with a wife who stays home to care for the kids.

Over the next decade as the economy expands and the work force grows, two out of three new jobs will need to be filled by women.

As a nation we must respond to these challenges with policies that enable families and children to thrive, our economy to grow and prosper, and our future to remain secure. Such policies must be grounded in the needs of children and their families and in the needs of our nation.

By what standards should such policies be judged? How do we create the public consensus necessary to develop and invest in them?

To focus attention on the link between economic well-being and child care, CCAC commissioned research from nine leading economists and policy analysts. The goal: to develop an investment analysis of the ways in which child care benefits both the public and private sectors. Following the preparation of this research, the Child Care Action Campaign convened a National Conference, "Child Care: The Bottom Line" to discuss the connection between child care and economic well-being and to develop a policy consensus for action. Eight hundred fifty leaders from all fifty states attended.

This report is a synthesis of the economic research and the policy discussions at the conference. It is CCAC's contribution to the ongoing debate over child care policy and priorities.

The Child Care Action Campaign believes that, as a nation, we *ought* to respond to the changes in American family life and in our economy that have made supplemental child care a necessity. *Our economy is weakened by our failure to respond to the needs of families. In order to improve productivity, increase competitiveness, and make the investment in human capital necessary to sustain economic growth, all sectors of our economy must make a significant investment in child care.*

Unfortunately, moral arguments alone are not sufficient to generate the response necessary to address the child care crisis. However, economics can only evaluate the costs and benefits of a variety of options; it is up to the public to insure that the right choices are made.

The Child Care Action Campaign intends to follow the publication of this report with a year-long national campaign. We will call on employers, Federal, state and local governments, community organizations

and private philanthropies to increase their interest and investment in child care, and to work together to create a comprehensive, coordinated system of delivery.

CHILD CARE ACTION CAMPAIGN STATEMENT OF POLICY

It is a sound economic principle that those who share in the benefits of a particular good should share in the costs of providing it. While no one can yet attach a precise number to the benefits of an investment in child care, all of the evidence in the Child Care Action Campaign's economic research points to substantial benefits of such an investment to Federal and state governments, to employers, as well as to families and to the society at large.

The need for supplemental care for the children of working parents is not new, but the extent of the need has intensified and the links between adequate child care and productivity, economic growth, and the development of human capital have become clear.

Quality, affordable child care can enable more parents to work without distraction. It attracts new workers to the labor force to fill necessary jobs. It reduces absenteeism and turnover. It helps mothers to become independent of welfare and enables families to maintain their standards of living. It helps children grow and develop.

As this report will make clear, our families, our children, and our economy cannot wait. We must expand the resources available for child care in order to increase the supply and improve its quality. Ample evidence of the benefits of good child care exists, and of the damage that poor quality child care can do—of opportunities, and even lives, lost.

The Child Care Action Campaign—a coalition of leaders from corporations, the media, unions, the public sector, community, women's and religious organizations, and academia—calls on the Federal government, state governments and employers to step up their investment in child care, and to work together to create a coordinated child care system which *maximizes parental choice.*

A coordinated system of child care should be based on eight key principles:

1. All children should have access to quality child care. Child care must be of quality sufficient to ensure that children get the educational, social, and health benefits that are essential to growth at their particular stage of development;

2. Every sector that benefits from child care should make an investment in it. The Federal government, state and local governments, and employers must invest additional resources to expand the supply and improve the quality of care for families at all income levels. We must avoid a two-tier system that maximizes the choices of middle and upper income families based on their ability to pay, while leaving low-income and poor families to "warehouse" their children;

3. Parents should receive adequate information about existing resources, and about the components of quality care in order to be able to make informed choices for their families;
4. Parents must be an integral part of any child care program, so that their values are communicated to their children, so that programs are respectful of cultural differences, and so that parents can feel confident about their choices;
5. There should be a variety of options for care so that parents anywhere in the nation can choose the type best suited to their needs and values;
6. Child care funding should be administered in a manner designed to maximize coordination and efficient use of resources;
7. Resources for child care must be planned for, and coordinated, at the state level, to ensure that there is a continuum of care, that parents can make informed choices among a variety of options, and that resources invested are efficiently used;
8. Because child care providers are the most essential component of quality, training, wages, benefits and working conditions must be improved so that competent and caring providers are attracted to the profession and are able to stay in it.

The formidable job of solving the child care crisis is less one of deciding *what* to do than it is deciding *who* is to do what. We already know how to provide quality child care. Early childhood educators and child care providers long ago established guidelines and model programs. The challenge now is one of commitment: a public commitment to tackle the problem, and to provide the necessary resources to remedy the crisis.

Any national system of comprehensive, coordinated child care must embrace the three goals of increasing the supply, ensuring quality and expanding access.

There are, in place, certain elements of this system which can be built on—especially in certain communities, where dedicated groups of public officials, early childhood educators, business executives, and parents, have joined to create pockets of excellence. Such communities are characterized by a comprehensive resource and referral system, a mixed system of funding, special attention to the professional status and salaries of child care providers, and an overall commitment to expanding and enhancing the child care system.

CCAC'S RECOMMENDATIONS FOR A COMPREHENSIVE CHILD CARE POLICY FOR THE UNITED STATES

WHAT THE FEDERAL GOVERNMENT SHOULD DO.

The Federal government's involvement in child care is itself a patchwork of demand and supply-side subsidies, with no overriding policy to guide the development of additional supply, to increase access or to improve quality. Therefore, it should:

1. Establish a national child care office.

There is no single Federal department or agency to plan or coordinate the Federal government's role in providing child care. The mushrooming demand for child care at *all* income levels makes Federal leadership for child care imperative. The Federal government's role must be to provide leadership that encourages Federal, state, local and private funds to help parents pay for care; to establish minimum regulatory standards, to provide technical assistance to the states; and to collect data on the changing supply and demand for child care, and on parental preferences.

2. Establish a new and separate funding stream for child care.

The overwhelming requirement for expanding the supply and improving the quality of child care is for significant new investment to make child care more affordable. The administrative anarchy of current child care assistance is paralleled by the inadequate amount of Federal money that is allocated for child care.

The financing mechanism should be a stable source of funds, safe from the vagaries of politics. It must be separate from Title XX, the Social Services Block Grant. It should provide a basis for states and localities to plan and coordinate the appropriate use of their own resources. The monies could come, for example, from general tax revenues, or a separate Social Security-like trust fund. The national Office of Child Care could administer the funds, and monitor their use. (The Child Care Action Campaign in conjunction with other national policy organizations is continuing research into appropriate financing alternatives for child care.)

3. Maintain the Dependent Care Tax Credit.

The shifts in the economy and the labor force, coupled with the high cost of quality child care, mean that most families need at least some help with child care. The Dependent Care Tax Credit is one form of such assistance. Child care is an expense incurred in the process of generating income. The Dependent Care Tax Credit recognizes that families who must pay for child care in order to work have less money

available to pay taxes than families with the same income who do not need to pay for child care. The credit should be higher at lower income levels, and be reduced progressively as income increases until it reaches zero at the point of affordability. The cap on annual expenditures should be raised, to reflect current market realities and the need to pay higher salaries to caregivers. Making the credit refundable, in conjunction with these other adjustments, would also enable low-income families to increase their earnings and help them to move out of poverty.

4. Expand Head Start.

The current incarnation of Head Start is inadequate for two reasons. First, it is almost universally a half day program. Working parents must make other child care arrangements for their children for the other half of the day. Second, Head Start has never been able to serve more than 16 to 17% of eligible children. The overwhelming majority of poor three and four year olds, along with their younger counterparts, are excluded from the programs.

5. Establish Federal regulations on minimum standards.

Child care standards currently vary from state to state. In some states, the regulations are consistent with what we know about quality. In others, they fail to guarantee even minimal levels of safety and health for the children in care. Moreover, employers interested in providing some form of child care benefit are bewildered by the wide variation in standards from state to state.

There are several components of quality which can be quantified, and which are essential to basic levels of health, safety and sound developmental practice: child/staff ratios; group size; training of providers; parental access; health and safety standards.

The Federal government should set minimum standards in these five areas, in consultation with national experts and the states. All child care programs should be required to meet these minimum standards. The Federal government can build incentives for meeting these standards into the funding stream by requiring, for example, a lower state match from those that meet the standards.

6. Raise direct subsidies to parents.

Parents now bear most of the cost of child care. Many cannot afford the average cost of care. Raising standards of child care usually means that the cost of child care increases. This, in turn, may force many parents to move their children into lower quality care, to leave them on their own, or to leave the work force. Therefore, raising quality means helping parents to pay for that part of child care that they cannot afford, so that they are able to keep their children in quality child care.

Subsidies should be based on a sliding fee scale. The top of the scale should be set at the point of affordability, enabling parents to use the same care as their income rises.

The Child Care Action Campaign supports the current language of the Act for Better Child Care Services (H.R 3660 and S. 1885), which would provide moderate-income families earning up to 115% of the state's median income with child care subsidies on a sliding scale basis.

7. Provide job-protected parental leave.

Family leave is an essential component on the child care continuum. Parents must be able to adjust to their new role during their first months as a family and need time to learn about their child's needs and to find quality, affordable child care. They should be able to do so without worrying about losing their jobs or their incomes.

8. Encourage greater use of public school facilities for child care programs.

The school day and school year is still based, in most communities, on the needs of an agrarian society. The public schools should house before and after school care especially for school-age children and should include pre-kindergarten facilities. The programs should cover longer days, or should establish close links, including transportation, with other child care resources in the communities. They should offer developmental education for children from kindergarten through second grade, and developmental programs for four year olds, where they are needed and where schools want to expand their responsibilities.

The Federal government should fund pilot programs to help schools test models of school-based child care programs, which involve community-based organizations in the provision of services.

9. Collect and disseminate data.

The Federal government should collect and publish, on a regular basis, information about the supply of child care, the salaries of caregivers, the use of child care, and the fees paid. Data collection on consumer demand should be integrated into the Consumer Population Survey. Information on consumer demand can be gathered from resource and referral agencies, which have excellent knowledge of local needs and preferences.

WHAT STATE AND LOCAL GOVERNMENTS SHOULD DO.

Child care is essentially a local issue. Because of the wide variation in the strength and stability of state economies, the Federal government needs to develop an overall policy in support of—and funding for—the

child care needs of families. The states need to develop specific plans and programs to satisfy the child care needs of their constituents. They also need to increase their investment in child care commensurate with the benefits they get from improving and expanding child care within the state: an improved business climate, higher tax revenues, reduced welfare costs. Therefore, state and local governments should:

1. Raise the professional status and working conditions of child care providers.

Trained child care professionals are essential to the quality of the system of delivery. Another major component of quality—consistency of care—is jeopardized by a turnover rate among child care providers that averages 60% annually. Unfortunately the low pay and low status of child care providers makes it difficult to attract and retain the quality providers that we need, and that are such an important part of quality child care programs. Child care providers, 98% of whom are women, are paid less than parking lot attendants. Most receive no benefits.

To redress these inequities, providers' salaries must be raised. Benefits, such as health insurance, workers' compensation and unemployment insurance must be provided. Improving training opportunities is crucial too. States should establish loan programs that will enable potential child care providers to get the training they need, and allow those already working in the field to continue to develop their professional skills.

2. Implement minimum Federal standards and improve regulations.

Although the Federal government should be responsible for establishing minimum standards for child care, the states should have the job of administering these regulations and of adopting additional standards that meet the particular needs of families in their areas. Their role should include assessing the child care needs of state residents, setting up licensing and regulating procedures, monitoring compliance with the regulations, and offering technical assistance to child care centers and child care providers.

3. Establish loan and grant programs to finance start-up and renovation costs, and to assist with purchasing equipment.

Grants and low-interest loans to finance initial start-up costs, renovation costs, and to help buy equipment will enable child care providers to comply better with minimum health and safety standards, as well as to maintain and improve the quality of programs. They will not, however, reduce the need for subsidizing operating costs, since

child care is a labor intensive field. Personnel costs account for nearly 70% of child care centers' operating budgets.

4. Establish school-age child care programs.

The U.S. Bureau of the Census estimates that two million of the 13.8 million children between ages six and twelve who need child care, care for themselves before or after school. Surveys in local communities find that as many as 25% of all school age children are on their own for some part of the day. States should establish before and after-school child care programs for these students, taking into account these students' transportation needs.

5. Make child care part of any welfare reform initiative.

Many studies have shown that lack of affordable child care prevents many single mothers receiving Aid to Families with Dependent Children (AFDC) from looking for a job, keeping a job, or seeking job training. The success of welfare reform initiatives in California and Massachusetts is attributed, in part, to the large child care component of each. Single mothers cannot enter the labor force without affordable child care. States' provision of child care as part of welfare reform should include care during job training, while mothers make the transition to the work force. Once they have been employed, states should ensure that these families will continue to have access to subsidized care.

6. Expand resource and referral programs.

Child care is a local, as well as a national issue. The success of any national system of child care depends on the extent of the involvement of state and local governments; planning and coordination cannot come simply as directives handed down from the Federal government. Local resource and referral agencies, which rely for funding on public and private sources, are able to assess the child care needs of their constituents, and then provide guidance that will mold programs to fit those needs. One aspect of their involvement could include working with local employers, to design child care assistance programs that meet and fulfill the needs of parents and corporations.

WHAT EMPLOYERS CAN DO.

Employers have stepped up their support for child care dramatically over the past decade as more employers recognize the positive effects of child care assistance on the bottom line. Still, only 3,500 of the nation's six million employers provide any form of child care benefit to their employees. Most of these are large employers which provide a broad array of benefits to their employees.

The vast majority of American workers work for companies which employ fewer than 50 workers. These employers are least likely to offer a child care benefit.

Moreover, when the subject of employer-supported child care is raised, employers automatically think of on-site child care as their single option. There are, in fact, a variety of ways in which employers can support their employees' child care needs, some of which are appropriate for small employers. Therefore, employers can:

1. Adopt flexible work schedules.

The disappearance of the "typical" American family means the concurrent disappearance of the "typical" American worker. It is no longer realistic to structure the work week around a male and his at-home spouse, since today, both parents are likely to be in the workforce. Employers can help their employees to balance their professional and personal lives by molding the work week to mesh with the reality of their everyday lives. They can provide flex-time and part-time work with protected benefits and encourage job-sharing.

Employers should offer job-protected parental leave so that newborn infants, sick or temporarily disabled children can be cared for by their mothers, fathers or guardians.

Flex-time, part-time, parental leave and similar creative efforts would go a long way toward ensuring that family responsibilities do not interfere with productivity on the job.

2. Invest in community-sponsored centers and support community efforts to expand family day care.

Employers—large and small—can collaborate with community groups who are already working to meet the child care needs of community residents. Employer support can take many forms, from funding and establishing resource and referral agencies, to helping to underwrite revolving loan programs.

3. Invest in consortiums or in on- or near-site centers.

Several companies in close geographic proximity, or who draw their employees from common communities, can pool their resources to establish a local child care program. Companies involved in consortia can enjoy the higher productivity and retention rates that have been realized by those employers who are already offering child care assistance. Consortia, in addition, benefit by having the cost of starting these projects spread among several companies.

4. Establish child care resource and referral services.

These programs help put employees in touch with existing resources, and expand the supply available by bringing new providers into the system.

5. Provide or purchase emergency child care services and allow employees to use their sick time to care for mildly ill children.

Parents cite child care breakdowns—either because their provider is ill, the program is closed for an emergency, or their child is ill—as a major source of stress. Even the best child care arrangements break down for one reason or another periodically. Employers can help pay for emergency care, in a center or in the employee's home, or in some cases, can allow employees to bring their children to work in emergencies.

6. Provide direct financial assistance to help employees pay for care.

7. Participate in efforts to improve child care policy by serving on advisory committees, and informing policy-makers of employees' needs.

WHAT ACADEMIA CAN DO.

Professionals in sociology, education, psychology, economics and similar disciplines can apply their expertise to the need for and the effects of adequate, affordable, quality child care. Therefore, they should:

1. Investigate alternative funding mechanisms.

More than half of the current Federal spending on child care comes through the Dependent Care Tax Credit. Although economists are biased toward such demand subsidies, child care experts argue that they do not significantly increase the supply of care, improve its quality, or reach poor families. Even making the credit refundable in a progressive way will not help the poorest families, who cannot afford large cash outlays for child care.

All policy discussions ultimately hinge on how a national child care system will be financed. Massachusetts and California use general tax revenues. Indiana earmarks monies from its cigarette tax for child care. We need to study funding mechanisms for effectiveness and efficiency.

2. Analyze the impact of child care on reducing welfare costs.

Research has established a link between the availability of affordable child care and the ability of single mothers receiving AFDC to go to work. We need to refine this analysis as well as examine the other programs that are necessary to help the poor become economically

self-sufficient, such as enforcing child support awards.

3. Evaluate existing programs and initiatives in states and corporations.

States and private-sector employers have begun, in a piecemeal way, to tackle the child care problems of their respective constituents and employees. In order to plan a comprehensive, coordinated national system of child care, we need to evaluate these efforts. An interdisciplinary group of economists, social scientists and child development experts should study these programs, to describe and quantify the costs and benefits of each.

We also need to evaluate the relationship between costs and quality in child care under various auspices: schools, churches, for-profit corporations, community organizations, non-profit independent centers and family day care homes.

HOW THE MEDIA CAN HELP.

Both the electronic and the print press can help in keeping the child care crisis on the public agenda. Increased media attention to the child care crisis has done much to raise public awareness of the growing need for child care and the overwhelming public support for state and national policy.

Particularly noteworthy has been the depiction of the child care issue as an issue which affects families at all income levels. The press has also given a welcome amount of attention to employer-related child care. It can, like all concerned, do more. Therefore, we suggest that the media:

1. Recognize that child care affects every economic and social issue in this country, and work to illuminate these connections.

Since child care cuts to the very core of our society, young children, it affects every other social and economic issue in our country. Particularly apparent is the connection between child care and the success of our educational system. Many policy-makers call for an intensified commitment to education. The press can help them understand that children begin to learn at birth, and child care, whether by parents themselves, or professional providers, is part of the educational system to which they will be exposed.

Less publicly apparent, a strong correlation exists between economic prosperity and child care.

2. Investigate the scope and context of present and potential solutions to the child care crisis.

As with other complex problems, the solutions to the child care crisis will not appear *deus ex machina.* These solutions will need careful definition reflecting local elements and parental input. Given the need for a national child care policy, and significant new governmental and private investment, there is a natural tendency to want to oversimplify the scope and reach of new solutions. The public needs to know how far each new development or investment will go and what's left to do.

3. Create fresh ways to cover and explore the issue.

The issues that interconnect with child care await attention and require in-depth reporting. Different perspectives and points of view need to surface. Is child care primarily a women's issue? Or does it affect men, as well—and how? Does child care belong on the business pages because it is not simply a parental concern but an economic one as well?

The press would do well to investigate the ramifications of child care that go beyond the needs of the poor to include, as well, the benefits to industry, labor and ultimately the nation at large.

WHAT PARENTS AND THE PUBLIC NEED TO DO.

In child care, parents are the most important constituents—both for themselves, and as their children's representatives—and more than likely, they have the least amount of time. Still, it is imperative that they assume a major role in the articulation of their own and their families' needs when it comes to defining both the problems and the solutions of this issue. Therefore, Child Care Action Campaign suggests that parents:

1. Speak out about their child care needs and ask for quality support.

There are few roles as important as being a parent. In this rapidly changing world, to assume this role responsibly, parents need options. Otherwise, we undermine the American family. Parents have to do more than realize that child care is not a personal problem, it is a public concern. They must insure that policy-makers hear and address their concerns.

Parents need to talk about what their families need—what's available and what's lacking; participate in local discussions; write to legislators; look up voting records; bring up child care with their

employers. Collectively, parents can rapidly move the issue further on the agenda.

2. Create support groups.

A great deal of compassion, friendship, and comfort can come from a support group. Such a group can also strengthen the political voice of parents.

3. Parents must understand that fathers are parents, too—and that they must participate in child care efforts.

THE CHILD CARE MARKET

Changes in the American family and the the economy have rapidly increased the demand for child care. All groups and all classes of society now need child care.

In order to design an effective and efficient national child care policy, we must understand what the child care market looks like and how it functions. Is it in equilibrium? How regulated is it? How does government intervention affect the market? What is the impact of the child care market on the nation's economic structure and how will changes in policy affect it?

Any discussion of national child care policy must address the three interrelated problems of the child care market: the supply (or how much child care is available to be purchased), the affordability of care, and its quality. We must understand the costs of quality care, and decide how they are to be paid.

Child care experts assert that there is not enough good quality child care available for all families who need it, at a price they can afford. Many parents who cannot afford quality care are forced to choose lower quality care, to reduce the hours they work or to stop working altogether; all of these decisions have an effect on business, production and economic strength.

The Current System of Care: Who Uses What?

The current system—or quasi system—of child care can best be described as a disjointed and fragmented assortment of programs. It is confusing to potential users, as well as inefficient and inequitable. It does not even begin to meet the needs of all the families who need child care, although its impact on the economy is demonstrable. Federal leadership is scant and states are only beginning to devote resources to collaborative planning that can respond to local needs. There is little good data on how many child care facilities exist, and of what type or on how many child care providers there are. The data on the demand side—on who uses what—is better, but not adequate, and is not collected on a regular or consistent basis. It is clear, however, that demand for child care has rapidly increased, and that much of the increased demand comes from the middle class who are trying to maintain their economic equilibrium and from the poor who are trying to increase their income to escape from poverty.

Child care was once considered to be a service primarily for the working class and the poor. The doubling of the numbers of single parent families since 1970 has made child care all the more important for these groups. But changes in all aspects of the American family, the economy and the labor force have bumped the issue squarely into the

bailiwick of the middle class. As female labor force participation rates rise, and as the number of two earner couples grows, the middle class is increasingly grappling with where, and how, their children will be cared for during the working day.

Much of the increased demand for child care comes from families with married women with young children. Many of these families would be poor without the second income. Between 1980 and 1987, labor force participation rates for married women with children under three jumped by 25%, from 42% to 53%[1]. Today, married women with very young children are even more likely to be in the labor force than non-married women[2].

According to the U.S. Department of Labor, there are 64 million families in the U.S. Twenty-six million of these families have children under the age of 14. They are the most likely to need child care:[3]

- 12.8 million couples with both parents in the work force. They have 8.8 million children under the age of six, and 12.3 million between the ages of six and 13;
- 3.5 million single mothers in the labor force who have 1.8 million children under six and 3.4 million between six and 13;
- 3.7 million welfare mothers with 3.1 million children younger than six, and 2.9 million between six and 13;
- Approximately 600,000 teen mothers, 200,000 of whom are also AFDC recipients. It is difficult to estimate the ages of their children, but most can be assumed to be under six years old.

Child care arrangements are as varied as the families and children who use them. Of children of working parents, 39% are cared for by relatives, 23% are cared for in family day care, 23% are in full or part-day centers, and 5.9% are cared for in their homes.[4]

Is There a Shortage of Child Care?

Much of the growing public debate on child care focuses on the "shortage." When an economist uses the term "shortage," she means that the market is not operating properly, and that the failure can be explained by carefully studying interventions in the market. However, a

1. Sheila Kamerman and Alfred J. Kahn, *Child Care: Facing the Hard Choices* (Dover, Massachusetts: Auburn House, 1987), pp. 94-5.

2. Ibid.

3. U.S. Department of Labor, *Child Care, A Workforce Issue: Report of the Secretary's Task Force* (Washington, D.C.: U.S. Department of Labor, April 1988), pp. 147-8.

4. "Who's Minding the Kids?" Current Population Reports, Series P-70, No. 9; Current Population Reports, Series P-23, No. 129.

market can function in an economic sense, meaning that it can be in equilibrium[5] but still not meet public policy goals.

Some economists who have constructed a model of the child care market conclude that the market is in equilibrium. A recent report by the U.S. Secretary of Labor reaches the same conclusion. But even if the market is in equilibrium, this does not mean that everyone who might ever use child care is using it now or that parents are able to find the quality of care their children need at a price they can afford[6].

Parents scramble to find affordable, high quality child care. Many cannot. But, economists who say the child care market is in equilibrium assert that parental struggles stem not from an imperfect market—which is what a shortage indicates to them—but from the fact that many parents simply do not have enough money to pay for quality child care at the market price[7]. The high cost of care effectively squeezes them out of the market. Instead, such parents choose lower quality care—often unlicensed, and frequently substandard—or they provide the care themselves by staying out of the labor force.

What Families Gain and What They Lose When They Provide Child Care Themselves.

Some families decide that because of women's relatively low wages, and the relatively high cost of child care, it makes economic sense for the woman to stay at home with the children rather than to participate in the labor force. The family would seem to be in better financial shape if she provides the child care. In economists' terms, she is the marginal worker[8]. (We do not here address the family which makes a choice—for other than economic necessity—for one parent to stay home to provide full time care for their children. There are families which have the luxury of that choice. The legitimacy of such families' choices—whether it be to be a full-time caregiver or to work outside the home—should be recognized and valued.)

In reality, the choice may not be cost-effective. Families who choose for the woman to stay at home trade off current (albeit lower) income against a lifetime of earnings. They choose short-term savings over the

5. Rachel Connelly, "The Barriers to Increasing the Supply of Quality Affordable Child Care," Paper commissioned by the Child Care Action Campaign, 1988, p. 21. "For the market to be in equilibrium there must be an equilibrium price of child care and an equilibrium quantity of child care available such that the quantity demanded equals the quantity supplied at the equilibrium price."

6. Ibid.

7. Ibid., p. 24.

8. Ibid., p. 4. "The marginal worker is the family member who will take responsibility for the care of the children if no market child care is used. The family will choose as the marginal worker that family member whose lifetime earnings are least affected by a withdrawal from the market to provide child care. The marginal worker is usually the child's mother."

longer term economic well-being of the family. Women who remain in the workforce stand a better chance of raising their wages, over time, than women who leave the job market for extended periods of time. An individual family must, of course, balance their financial needs with the children's and the parents' needs.

Women who leave the work force are also at greater economic risk because of the high rate of divorce among all families, which brings with it a dramatic decrease in income for most women.

The growing service sector needs new workers in order to forestall the labor shortage that economists and demographers foresee. But so long as women's low wages and the high cost of child care combine to keep potential workers out of the labor force, employers will not be able to hire the employees they need to fuel economic expansion.

The needs of the growing service economy, and families' need for two earners just to survive means that more and more parents need supplemental care for their children. But in order to encourage potential workers to enter the labor force, we must address the gap between what parents can pay for care, and what it costs to buy good quality care. Rachel Connelly writes in her paper commissioned by the Child Care Action Campaign, "The Barriers to Increasing the Supply of Quality Affordable Child Care": "Equilibrium does mean that problems of child care can not be solved by simply building more child care centers or finding more child care providers at the going price. One must also increase the quantity of child care effectively demanded, either by lowering the price of child care or by changing some other determinant of demand such as increasing the wages of women."[9]

If There's No Shortage, What's the Problem?

While there may be no national child care shortage in the theoretical economic sense, clearly there are still problems with the way the market functions. Even economists who conclude that the market is in equilibrium point to problems that may create shortages in certain areas and for certain populations. With more than half of working mothers returning to work before their child's first birthday, the demand for infant care swells each year; the supply lags far behind. One way to ease this shortage is to provide parental leave. If more parents are able to care for their newborns without risking loss of jobs or income, the demand for infant care will drop. Parental leave also enables parents to grow accustomed to their new roles in their first months as a family. CCAC Board member, and world-famous pediatrician, Dr. T. Berry Brazelton, points out that child care, especially parental leave, is as much a *family* support system as it is a *child* support system. Child care

9. Ibid., pp. 21-3.

nurtures the development of the whole family as well as the growth of the individual. In his book *Working and Caring*, Dr. Brazelton says: "The first three months are likely to consist of such turbulent adjustments for new parents that their energy is drained...If someone else, in a secondary care-giving role, helps the baby through this period...new parents will never feel competent or truly 'attached' to their baby."[10]

According to CCAC Board member Sheila Kamerman, Professor of Social Work at Columbia University, 117 countries around the world have parental leave policies. One result of these policies is that there is not as great a need for supplemental child care for infants in many of these countries, as there is in the U.S.

Unless action is taken to increase the supply of child care, it is unlikely that the child care squeeze will be loosened at any time in the near future. Demand is likely to continue to increase, not only because of the growing presence of working mothers in the labor force and the growing number of two-earner families, but because there are also more young children who need to be cared for. As baby boomers have children, the population of children under six is increasing for the first time in several decades. In 1980, there were 19.6 million children under the age of six; in 1986, there were 21.7 million[11]. At the same time, the baby bust generation has come of age. There are fewer potential child care providers. The number of 18 to 24 year olds will drop from 30.4 million in 1980 to a projected 25.8 million in 1990, causing shortages in all fields, including early education, and widening the gap between the need for and the availability of child care.[12]

The low salaries, benefits and generally poor working conditions of child care workers will further intensify this shortage. In a tight labor market, people who once chose to work in child care will find that they have other, better paying jobs open to them.

The Role of the Public Schools in Supplying Child Care.

Given the skyrocketing demand for child care, the sluggish market response in increasing supply, the problems of cost and quality, and the clear benefits of early education, some child care advocates have suggested that the public schools add to the supply of care in their communities by establishing more services.

CCAC Board member Dr. Edward F. Zigler, the first director of the Office of Child Development and chief of the U.S. Children's Bureau,

10. T. Berry Brazelton, M.D., *Working and Caring* (Reading, Massachusetts: Addison Wesley, 1985), p. 60.

11. Ellen Galinsky, "Child Care and Productivity," Paper commissioned by the Child Care Action Campaign, 1988, p. 4.

12. Ibid., p. 4.

and a principal architect of Head Start, has developed a comprehensive child care program that schools could offer in their communities. The New School Child Care Demonstration Projects Act (H.R. 3841, S. 1995), introduced in December, 1987 by Senator Christopher J. Dodd (D., Ct.) and Representative Dale Kildee (D., Mi.) proposes that each school establish after-school programs for school age children, along with part-day kindergarten and pre-kindergarten programs for three and four year olds. Children under three would be cared for in family day care homes, which would be linked to a local public school for training and resources. Parents would pay for the child care they used, on a sliding scale fee based on their income. The bill would provide $120 million for 60 pilot demonstration projects in FY 1988, and "such sums as may be necessary" for FY 1989 and FY 1990.

The schools appear to be one obvious choice of an agency that could add to the supply of care. Every community has a public school. They are a known institution. Their structure and administration is well-developed. They have an established funding mechanism. Public school teachers have professional standing, certification standards, and progression schedules for advancement.

Locating some of the community's child care in the public schools would enhance the status of child care providers in those programs, by giving them parity with public school teachers. They would earn higher wages and receive more benefits. In California — the only state with substantial numbers of school-based child care programs — the salaries of teachers in all child care programs are approximately $13,000, while child care teachers in school-based programs average $21,600[13]. Raising salaries would cut the turnover rate, stabilize the field, and thus, make it easier to expand the supply of child care.

Raising salaries in school-run programs would also push up the cost of providing care, not only in schools but in other community programs that compete for caregivers. Wages and benefits account for approximately 60 to 80% of most child care programs' operating costs[14]. Giving child care workers parity with other teachers means that we must increase the resources available to the system.

The most successful early childhood education programs take a developmental approach, such as is offered in Head Start, Title XX day care, and nursery schools, rather than an instructional, or skill emphasis, approach. The developmental model is based on concrete learning through activities, many of them child-initiated, in a well-designed

13. W. Norton Grubb, "Public School Provision of Child Care: Costs and Consequences," Paper commissioned by the Child Care Action Campaign, 1988, p. 7.

14. Dana Friedman, *Corporate Financial Assistance for Child Care*, Research Bulletin No. 177 (New York: The Conference Board, 1985), p. 9.

environment with skilled teachers. Elementary school teachers, on the other hand, are trained to stress cognitive development, order and control, and teacher-directed learning.

Some contend that putting child care programs under the jurisdiction of the public schools will just extend the problems of the school downward; they are concerned about the schools' overemphasis on testing, rigid curricular structure, and racial and economic segregation. In fact, the National Black Child Development Institute has called public school sponsorship of child care an "incubator for inequality."[15] They fear the tracking and generally demeaning treatment that black children often receive in public education will begin earlier if the schools control child care.

There is also the problem of space. Proponents of school-based child care argue that public school enrollment is on the wane, and that locating child care programs in school is an efficient way to use now vacant classroom space. But, with Baby Boomers having children of their own, most school districts do not have unused space. In regions of economic growth, such as the South, there is actually a shortage of classroom space. And areas that do have available space may not necessarily need child care. There is no neat conversion between available space and need.

The space that is available in schools may be inappropriate for preschool children, because it was designed with older, larger children in mind. The school calendar is not suitable either. Child care programs operate on a full-day, year-round schedule. Most public schools do not.

None of these obstacles needs necessarily prevent the public schools from being involved in supplying child care. Early childhood educators and elementary school professionals need to work together to make sure that any school-based child care program is appropriate for young children.

The Public School Early Childhood Study is a series of case studies in 12 communities that provide pre-kindergarten programs. The authors, Michelle Seligson and Anne Mitchell, found that "the public school early childhood programs exhibit much the same range of program quality as programs under any other auspices. That is, the kind of program is not the determining factor, but rather the education and experience of the teachers and the quality of the leadership is what makes a good program."[16]

15. National Black Child Development Institute, *Child Care in the Public Schools: Incubator for Inequality* (Washington, D.C.: The National Black Child Development Institute, 1985), quoted in Grubb, p. 31.

16. As quoted in Grubb, p. 28.

A major problem for any wide expansion of programs based in the schools is funding: public education is heavily financed by the property tax. It is unrealistic to expect that property taxes will be raised sufficiently to sustain an expansion of child care in the public schools. The regressivity of the property tax also means that poorer areas have fewer resources available to them. Norton Grubb, Professor of Economics at the University of California at Berkeley, writes in his paper, "Public School Provision of Child Care: Costs and Consequences," commissioned by the Child Care Action Campaign: "Local taxing jurisdictions vary so much in property value per capita that revenues per child for child care will vary enormously among rich and poor districts. Furthermore, in states where property value per capita and income are correlated, this would generate high revenues in districts where few low-income families live, so that public resources would not necessarily go to those children in greatest need of subsidy."[17]

A distinction must be made between child care programs *located* in public school facilities and child care *administered* by the public school system. Involving the public schools in supplying child care need not mean that they would be the exclusive suppliers. The public schools can play a role in easing the child care crisis. They can, for example, design after-school programs for school-age children, an age group with which they have experience and expertise. If a state-administered grant program were developed, the public school could be one locus of delivery. Community-based organizations, existing child care centers and other local institutions could compete with the schools for grants. The subsequent diversity and competition would help to keep the interest in and the quality of the program high.

It is more important to concentrate on providing quality child care than on the labels of suppliers. Ellen Galinsky, of Bank Street College, writes in her paper, "Child Care and Productivity," commissioned by the Child Care Action Campaign: "Children are learning whether they are in 'schools' or 'child care,' regardless of the labels, and in both settings, they need to be cared for and cared about."[18]

The Cost of Child Care.

The type of child care that parents choose is directly related to the amount of money that they have to spend; the amount they spend on care directly affects the supply. Economists theorize that the problem with the child care market is not the lack of supply, but rather, that

17. Ibid., p. 15.
18. Galinsky, p. 3.

there is not enough money from the current sum of parent fees, and federal, state and employer-sponsored subsidies to attract new suppliers.

Fees for child care vary widely; precise data on exactly what families spend is not yet available. Out of home care for one child can cost anywhere between $1,500 and $10,000 per year.[19] The best current estimates indicate that full time child care costs an average of $3,000 annually per child.[20] In the hierarchy of child care costs, center-based care is more costly than family day care, although the difference is declining. Infant and toddler care is more expensive than care for pre-schoolers. But, family day care for an infant can cost as much, or more, than for a pre-schooler in a center. Care for school-age children (those between the ages of six and 13) is the least expensive child care of all because school-age children need fewer hours of supplemental care. The most expensive is an in-home caregiver who is unrelated to the child. There are regional differences too. Child care costs are highest in the Northeast and Far West and lowest in the South.

Who uses each type of child care is often predicated on such factors as family size, family income, children's ages, parents' education, the availability of relatives (including fathers), and geographic location. There does appear to be a direct relationship between family income and the type of care chosen.[21] Families with annual incomes under $20,000 are more likely to choose relatives or family day care. For most working families, child care is the fourth largest item on the family budget, after food, housing and taxes.[22] It consumes nearly 10% of the average family's budget. For a family with two pre-schoolers, it can exhaust as much as 30%.[23] The amount of money that single parent families (whose youngest child is under the age of five) spend, in absolute terms, on child care is less than that spent by families with two workers, but the proportion of the family budget that that amount swallows up — 17% — is more.[24]

The danger of such a differential is that it is the foundation for a two-tier system of child care, in which the choices of poor and low-income families are limited to lower cost and usually, therefore, lower quality care while those of the middle class are maximized, according to their ability to pay. Four out of ten respondents to a survey conducted by the

19. Friedman, p. 6.
20. Ibid.
21. Ibid.
22. Ibid.
23. Ibid.
24. Irwin Garfinkel, "The Potential of Child Care to Reduce Poverty and Welfare Dependence," Paper commissioned by the Child Care Action Campaign, 1988, p. 4.

American Federation of State, County and Municipal Employees (AFSCME) claimed that they had difficulty paying for the child care service that they used, or were precluded from using other, more desirable services because of their income.

The level and the type of funding of child care exacerbates this two-tier system.

The Funding of Child Care.

The gap between the child care that middle income families buy and the care that low-income families buy is reinforced by the current low level of supplemental funding, and the emphasis, in the existing funding, on demand subsidies, which are more accessible to middle and upper middle income families.

Supply-side subsidies, by contrast, and as a matter of policy, are targeted to low-income families. They include, for example, funding under Title XX of the Social Security Act (the Social Services Block Grant). Access to supply-side subsidies is often limited to low-income families, which further exacerbates the two-tier system of child care. Supply-side subsidies do not encourage poor families to increase their incomes. In fact, poor families who do improve their income must often withdraw from participating in these programs, thus interrupting the continuity of care.

Of the two existing financing mechanisms — demand-side subsidies and supply-side subsidies — economists usually favor demand-side subsidies, because they are easier to administer, and they believe they maximize individual choice. The Federal Dependent Care Tax Credit is one example of a demand-side subsidy. Dependent Care Assistance Plans are demand-side subsidies too. They are permitted under sections 125 and 129 of the Internal Revenue Code, and allow employees to set aside a certain portion of their pre-tax salaries for dependent care expenses (i.e. care of children, elderly parents, or disabled dependents.)

It is possible to combine demand and supply side subsidies to create sensible financing for child care. Both demand-side subsidies and supply-side subsidies are used to finance higher education.

Recent Trends in Funding.

In the last ten years, the balance between supply-side and demand-side subsidies has tipped away from the supply side and toward a combination of the two. The Federal government now spends more on demand-side funding mechanisms, while the states are more involved in supply-side financing.

- In 1977, Title XX was the largest source of Federal funding for child care. It accounted for approximately 40% of total Federal child care spending, while the Dependent Care Tax Credit comprised 25%.[25]

- By 1986, Title XX composed only about 7% of Federal spending, and the Dependent Care Tax Credit had become the dominant form of Federal support of child care, accounting for more than 60% of all Federal child care spending.[26] State funding increased, but it is not known by how much, since such figures are not kept.

Although *total* Federal spending on child care has risen in the past 10 years, almost all of the increase has come through the tax system.[27] A disproportionate share of the benefits of the tax credit goes to middle and upper income families. The working poor, who most need the credit, benefit less, because they must first pay a high price for child care throughout the year, and then receive a 20 to 30% credit when they file their taxes. Many families may not be able to afford the expenditure. The tax credit does help some poor families somewhat. But the advantage could be greater if a higher percentage of the cost of care were eligible for the credit, and the limit on the total annual child care expenditure was raised to reflect the market cost of care.

In light of these inequities, some policy makers have suggested expanding the tax credit and making it refundable, so that it can benefit low-income families and those with no tax liability. Unfortunately, while such a step is appealing in its simplicity, it does not solve a number of basic problems.

First, making the tax credit refundable does not give cash to families throughout the year, when they must meet their child care expenses. It requires them to pay for child care up front, and wait for a one-time reimbursement check, at the same time that they must stretch their already meager resources to pay for food, clothing and shelter. (It is possible to adjust withholding, but families with no tax liability are not helped by this measure. The Earned Income Tax Credit has a mechanism for distributing the value of the credit to families through the year, but it relies on the cooperation of employers, who object to the added paper work.)

Second, the tax credit, like other demand-side subsidies, while it may increase supply somewhat, has no impact on the quality of care.

25. Philip K. Robins, "Federal Financing of Child Care: Alternative Approaches and Economic Implications," Paper commissioned by the Child Care Action Campaign, 1988, pp. 16-7.

26. Ibid.

27. Kamerman and Kahn, p. 104.

The current system of child care financing barely begins to meet the needs of families, or society. Whole sectors of the population are inadequately served, while others are served the economic equivalent of second helpings. Any national child care system must be equitably funded. The funding must actively support the creation of more child care, and it must be aimed at closing the gap in the two-tier system. Until the Federal government steps in to provide leadership and funding, the current fragmented, inefficient system of child care delivery will continue to exist.

ENSURING QUALITY CHILD CARE.

The quality of child care is directly linked to the salaries, benefits and general working conditions of child care providers. The low salaries and low status of the child care profession makes it difficult to attract, and keep, talented, qualified child care providers. The tightening labor market will only intensify the problem. With increasing competition for workers, people who once chose to be child care workers are choosing other, better paying professions.

Child care workers earn abysmally low wages. They are among the lowest 10% of wage earners in the country.[28] Since staff wages account for about between 60 and 80% of the cost of operating a child care center, providers' low salaries help to keep the cost of the care artificially low.

- Almost 60% of child care workers earn $5.00 an hour or less. (The California GAIN program mandates that no welfare recipient be required to take a job that pays less than $5.07 an hour.)[29]
- Their median salaries are approximately half the national median salary.[30]
- In 1984, the median salary for full-time child care workers was $9,200, less than the $11,500 earned by janitors, the $14,500 of telephone operators and the $18,000 earned by secretaries.[31]

The benefits that child care workers receive do not offset these low wages.[32] Only one-third to one-half have any kind of employer provided health care coverage. Many are not covered by workers' compensation or unemployment insurance. Most do not have disability coverage.

28. David E. Bloom and Todd Steen, "The Labor Force Implications of Expanding the Child Care Industry," Paper commissioned by the Child Care Action Campaign, 1988, p. 5.

29. Heidi Hartmann and Diana M. Pearce, "Wages and Salaries of Child Care Workers: The Economic and Social Realities," Paper commissioned by the Child Care Action Campaign, 1988, p. 9.

30. Ibid., p. 8.

31. Bloom and Steen, p. 5.

32. Hartmann and Pearce, pp. 10-12.

Even though most child care workers have young children, only half receive free or reduced rate child care. Many do not receive paid vacations or holidays, and only one-third get any kind of overtime compensation. Breaks during the work day are practically unheard of; many get a break only by resting while the children nap.

The education level of most child care workers, almost all of whom are women, makes their low level of pay all the more astonishing. The average child care worker has 14 years of education.[33] At least half have some education beyond high school.[34] In 1980, the average wage reported by child care workers with five or more years of college was $5.95 for men and $4.50 for women.[35] In the same year, male child care workers with an eighth grade education or less still earned *more* than female child care workers who were college graduates.[36] Unlike other professionals who can upgrade their professional status and their salary through graduate degrees, child care workers cannot change their situation through education. An advanced degree in early childhood education and development will not necessarily guarantee career advancement or higher salaries.

Not surprisingly, these adverse working conditions make it difficult to retain child care employees. In fact, more than 40% of child care workers must be replaced each year just to maintain the present child care work force.[37] (The average turnover rate for all occupations is about 18%.)[38] Two-thirds of child care workers have been on the job for less than three years.[39] Heidi I. Hartmann, and Diana M. Pearce, of the Institute for Women's Policy Research, write in their paper, "Wages and Salaries of Child Care Workers: The Economic and Social Realities," commissioned by the Child Care Action Campaign: "Where the data are sufficiently detailed, it is clear that there is a strong correlation between turnover—and burnout—and low wages. Equally striking is the phenomenon that those who stay with the job, and the field, find little reward: wages do not rise, but fall in the first few years, and are inconsistent after that. Not surprisingly...many day care centers in fact do not pay higher wages for those with more experience. Thus the high rate of turnover—and loss of trained and highly skilled personnel—that is related to low wages, is exacerbated by the lack of return to increased skills acquired with experience and tenure on the job."[40]

33. Connelly, p. 17.
34. Hartmann and Pearce, p. 15.
35. Ibid.
36. Ibid., p. 16.
37. Ibid., p. 17.
38. Bloom and Steen, p. 5.
39. Hartmann and Pearce, p. 17.
40. Ibid.

Many people who become child care workers do so because they love children. But their commitment is not enough to forestall provider burnout. It is not enough to retain an experienced, high quality pool of child care workers. As the labor market continues to tighten, it will become harder to retain the child care workers that we have, and harder still to attract the talented, committed and quality teachers that we need. Any policy initiative directed toward improving the quality of child care must begin by increasing the wages and benefits of child care providers.

WHERE WILL CHILD CARE LEADERSHIP COME FROM?

Federal Government Initiatives.

The lack of a coordinated Federal government role in providing child care does not mean that child care advocates and some policy makers have not tried to put child care on the Federal legislative agenda. But the last time a comprehensive piece of child care legislation passed both Houses of Congress was in 1971. President Richard Nixon vetoed the bill, saying it would destroy the American family.

Consciousness of the need for child care has jumped since 1971. Today, people on all sides of the political spectrum, on both sides of the Congressional aisle, are beginning to recognize that the desperately inadequate supply of child care threatens American economic growth, productivity, and the well-being of the future labor force.

In a 1987 report commissioned by the U.S. Department of Labor, the Hudson Institute identified the provision of child care and other support services for working parents as one of the six challenges that our society will have to meet in order to maintain economic growth and prosperity.[41]

Close to 100 bills that address child care needs in one way or another have been introduced in the 100th Congress. One of them, the Act for Better Child Care Services, or ABC, is the most comprehensive piece of Federal child care legislation to emerge from Congress since 1971. It was introduced in November 1987 in both the House and the Senate, and has 209 co-sponsors. As of August 1988, the bill (H.R. 3660, S. 1885) was supported by 130 national organizations, ranging from the Children's Defense Fund, the Child Care Action Campaign and the National Black Child Development Institute to the Association of Junior Leagues and the American Academy of Pediatrics. ABC would authorize $2.5 billion in new Federal money to help families pay for child care, to help improve the quality and expand the supply of care. Seventy-five percent of the total ABC money is reserved to help parents

41. William Johnston, *Workforce 2000: Work and Workers For the Twenty-first Century* (Indianapolis: Hudson Institute, 1987), pp. 112-4.

pay for care. Part of the remainder must be used to allow state and locally-funded pre-school programs—including Head Start—to provide full-day and year-round child care programs. Funding could also be used to improve providers' salaries, expand and improve existing programs, or to start up new family day care or center-based programs. The bill would also require the development of national standards, based on the median of ratios in each state, in five areas: staff/child ratios, group size, parental involvement, health and safety, and staff training. To improve coordination of services, the bill requires each state to develop a plan to meet the child care needs of its constituent families. Twenty percent of the funds must be supplied by each state; that percentage is reduced to 15 when state standards conform to Federal guidelines.

Initiatives like ABC and the Child Care Services Improvement Act, a bill introduced by Senator Orin Hatch (R., Ut.) and Representative Nancy Johnson (R., Ct.) offer the first, faint promise that the Federal government will provide the leadership to alleviate the child care crisis. Growing public pressure has undoubtedly motivated legislators from both parties to support child care legislation. A 1987 ABC News/Washington Post poll revealed that 57% of those surveyed felt that child care programs should be increased, up from 46% in 1986.[42] Another poll, conducted by Lou Harris, found that 73% of those surveyed were agreeable to tax hikes to pay for child care.[43]

Child care is a front burner issue, and the public, the press and policy makers recognize it. Current Federal legislative proposals begin to lay the groundwork for a national system of child care, but more work remains to be done. While the Federal government must provide the leadership, the states have an important role to play, too.

Title XX: Federal and State Role.

The Federal government retreated from its already small role in directly supplying child care when it cut Title XX/Social Services Block Grant by 20% in 1981. Since then, Congress has approved increases in Title XX, but the program's funding has not been restored to its 1981 level, much less kept up with inflation.[44]

Title XX was the largest direct source of Federal support for child care. Budget cuts over the past seven years have eroded the funding, so that it now accounts for only 7% of Federal child care spending. The

42. Helen Blank and Amy Wilkins, *State Child Care Fact Book, 1987* (Washington, D.C.: Children's Defense Fund, 1987), p. 26.

43. Ibid., p. 26.

44. Helen Blank and Amy Wilkins, *State Child Care Fact Book, 1986* (Washington, D.C.: Children's Defense Fund, 1986), p. 3.

conversion of the funds to a block grant, which meant that states were no longer required to be accountable for how they spent the money, weakened the program still further.

Title XX channels money to states to help them provide child care subsidies, as well as a variety of other social services (such as short-term foster care) to low-income families. The states decide how much of the Federal block grant and how much of their own money will be used for each service. Most states supplement Title XX funds with their own monies.

Even before the Federal government cut its Title XX commitment in 1981, some states were spending significant amounts of state money on child care—far more than was stipulated by the Federal matching requirements for Title XX. California's program had already become entirely state-funded. Other states increased the amount of Title XX child care that they purchased. Smaller states with fewer resources were harder hit by Federal cutbacks. Arkansas, for example, did not restore its state spending to 1981 levels until 1988. Several states spend no money on child care, nor did they when Federal Title XX funds were available to them.

Before the 1981 cuts, Title XX served only 472,000—or 13%—of the 3.4 million children under six living in poverty. But by 1986, there were 4.8 million poor children under the age of 6—a 41% increase over 1981.[45] The amount of Federal and state funds available to serve them was virtually the same as it was in 1981. This despite the fact that the program was designed to help children with working parents of moderate income. The $2.7 billion Federal Title XX budget for FY 1987 was approximately 25% less than it was in 1981 (in real dollars), and worth less than half of the $2.5 billion available in 1976, if adjusted.[46] At the same time, spending through the tax credit has more than doubled.[47]

State Child Care Initiatives.

The Federal government's lethargic response to the child care crisis has compelled the states to begin to take a role. Although the number of state child care programs has increased since 1985, the initiatives have not been bold enough, and the funding has not been strong enough, to fully compensate for the lack of a committed, coordinated Federal child care presence. Shortfalls are reported across the country:

- Nearly half of all the counties in Kentucky provide no child care assistance to low-income working families;[48]

45. Blank and Wilkins, 1987, p. 24.
46. Ibid., pp. 11-2.
47. Kamerman and Kahn, p. 104.
48. Blank and Wilkins, 1987, p. 5.

- In Seattle, only 2,200 of 10,000 eligible children from low-income families are served;[49]
- In New York City, publicly-funded child care is available for only one out of every five eligible children.[50]

The extent of a state's involvement may depend on the strength of its economy. States with strong economies, such as Massachusetts, are more likely to initiate or expand child care programs, while states with struggling economies, such as West Virginia, are less inclined to allocate already strapped state resources for child care. The unevenness of state commitment reinforces the existing patchwork system of care. Some children in some states will be better served than children in others.

While the Federal government cut its direct child care funding, Massachusetts was able to provide care to 30% more children in 1986 than it did in 1981.[51] The state allocates funds for an extensive resource and referral network. In FY 1987, it budgeted $2.8 million for Head Start, and raised that funding to $4.5 million ($3 million for salaries and $1.5 million for the expansion of slots) for FY 1988.[52] Salary initiatives of over $9 million, for 40% of providers, were approved in 1985 and 1986.[53] Funding for child care vouchers for mothers in the Employment and Training Programs was raised from $20 million to $27.4 million in 1987.[54]

California has made a significant commitment to child care too. Along with Massachusetts, it is the only state that allocates money for ongoing subsidies for school-age child care programs.[55] It has the largest state-funded resource and referral network in the country, with at least one agency operating in each of the state's 58 counties.[56] It set aside over $10 million in FY 1987 to help college students with child care costs.[57] Its large pre-school programs, modeled on Head Start, were funded at $35 million for 1987-1988, and serve, on average, 19,200 children each day.[58] Participants in GAIN (California's welfare reform/

49. Ibid., p. 6.
50. Ibid.
51. Ibid., p. 21.
52. Ibid.
53. Ibid.
54. Ibid., p. 7.
55. Ibid., p. 8.
56. Ibid., p. 63.
57. Ibid., p. 40.
58. Ibid., p. 49.

jobs program) are eligible for state-subsidized school-age child care programs. Despite California's commitment, the state can still serve only 10% of all eligible children.

With less Title XX money available, many states have been forced to make funding trade-offs which compromise the quality of child care. Georgia cut its child care budget by almost $8 million (38%) for FY 1987. This cut reduced the number of children who could receive care in Georgia by 1.7%; instead of reducing the number of children who could receive care, the state chose to save money by slashing providers' salaries by 10%, and undermining the quality of care, by weakening staff-to-child ratios.[59] Other states have had to make similar trade-offs.

While the states have picked up some of the slack left by the Federal government's passivity in providing child care, it is clear that they do not have the resources to completely fill the vacuum. States do have a role in solving the child care crisis. But a significant portion of the funding and leadership must come from the Federal government. Without national leadership, it will be harder to eliminate the two-tier system of care, or ensure that uniform standards of quality are met.

59. Ibid., p. 8.

CHILD CARE AND THE NATION'S ECONOMY

In the past, arguments for building a comprehensive, coordinated system of child care have been based on the moral imperative of helping America's children, the country's most precious resource. But changes in the economy and the structure of the American family now make child care an economic necessity.

Women, especially mothers with young children, have flooded the labor force and changed American society. Only 7% of American households now fit the Beaver Cleaver family's mold of breadwinning father and at-home mother. As female labor force participation rates continue to climb, the demand for child care will grow too.

At the same time, the shift of the economic base from manufacturing to services has altered the dynamics of the workplace. Most new jobs will be created in the service sector of the economy. Wages of many of these jobs will be lower, and more of the work will be part-time. Many of the new service sector employers will offer their employees few (and sometimes no) benefits, such as health insurance, sick days, or child care. Women (most of whom either have children or will have children at some point in their working lives) are projected to fill two out of three of these new jobs. But without child care, it will be difficult for many of these women to work.

Changes in the family and the economy converge with two other demographic changes: declining labor force growth rates and a declining population growth rate. The labor force and population are forecast to grow more slowly than at any time since the decade of the Great Depression.[60] A labor shortage looms. Employers will need to draw as many new workers into the labor force as possible, in order to fill the expanding number of service sector jobs, and sustain economic productivity and growth. The provision of affordable, high quality child care is one way to enable these potential workers to join the labor force.

Surveys find that the lack of "reasonably priced" child care prevents many mothers from looking for or holding jobs. The importance of attracting these women to the work force makes supplying child care all the more urgent. For single mothers, it is especially important. They are unable to work if they do not have child care for their young children. And if they do not work, those who are in the debilitating cycle of poverty, have little hope of breaking out.

Child care may also increase the productivity of workers already in the labor force. As more mothers enter the work force, and as more fathers begin to claim their share of parenting responsibilities, family concerns are just as likely to affect job performance and productivity as a host of other factors, including salary, benefits, and relationship to

60. Johnston, p. xvii.

supervisor. Many working parents report that their worries about child care interfere with their job performance, either by causing them to spend unproductive time on the job, or to arrive late and leave early. Employers who support their employees child care needs enjoy lower rates of absenteeism, tardiness and stress, as well as lower recruiting costs and higher rates of retention.

Child care benefits the future labor force too. Early childhood experts have long known that a child's first five years are the ideal time to lay the educational base to support lifelong learning. Improving the early education that American children receive can produce a better educated, better trained future work force.

A startling number of American high school students cannot read or write well enough to perform moderately complex jobs. As the service sector of the economy continues to expand, some employers will need more highly skilled workers than they do today. The training and education of these future employees begins in their first five years. Quality early childhood education programs are the best way to instill in young children the ability and the desire to learn, so that they can become productive participants in the labor force of the future.

Child care is not a luxury. It is an economic necessity. Future economic growth and prosperity depends on our ability to attract new workers into the labor force, to improve the productivity of those workers already there, and to prepare future generations for success in school and the workforce. Providing quality child care is one essential way to accomplish these three goals.

THE CHANGING AMERICAN ECONOMY.

A steady stream of economic currents is rapidly reshaping American society. To many informed observers, it is clear that the American economy is not as strong, prosperous or globally preeminent as it was some thirty years ago. The U.S. economy's vital signs are sagging.

- In 1960, the United States accounted for 35% of the world's economic output. By 1980, its share had fallen to 22%.[61]
- In 1960, the United States was responsible for 22% of the world's exports; In 1980, the figure was only 11%.[62]
- The Federal budget deficit is estimated to reach $163 billion and $179 billion in FY 1988.

Other factors contribute to this economic stagnation: the low wage rates in Latin America and the Far East compared to U.S. rates; a lower

61. Robert Reich, *Tales of a New America* (New York: Times Books, 1987), p. 44.
62. Ibid.

growth in productivity; and a failure to develop and market products that meet changing consumer demands. But the shift in the economic base from manufacturing to services, and the increasing numbers of women (especially mothers with young children) who have entered the labor force are the most dramatic changes of all.

The U.S. economy has been irrevocably changed. The post World War II economic prosperity, fueled by a strong manufacturing base and structured around a male worker and an at-home spouse who raises the children, is not part of the economic or social reality of 1988. Unfortunately, public policy remains stubbornly stuck in time, as if these two foundations stood firm.

If America is to regain its competitive edge in the world economy, we must confront these changes. Future economic growth depends on our ability both to attract more workers into the labor force, and to increase the productivity of those workers already there. One way to meet these challenges is to provide child care. It is a crucial first step toward revitalizing the productivity of the American workforce, and the health of the American economy.

THE CHANGING AMERICAN FAMILY.

Beginning in the 1960's, scores of women, especially mothers of young children, entered the labor force. They continued to do so through the 1970's and 1980's. The trend is unlikely to reverse itself. Women, especially married women, were attracted to the labor force by a changing labor market. Many traditionally "female" jobs were available, creating new economic opportunities for women. At the same time, mothers of young children were propelled into the labor force by the twin forces of inflation and high unemployment. Jobs in the high-wage manufacturing sector were disappearing. Many of the jobs that were available paid very low wages. In many families, two incomes became necessary just to maintain their standard of living. In addition to these economic currents, some women were inspired, by the Women's Movement and other political changes, to look for creative, intellectual and professional fulfillment in the working world.

Whatever their initial motivation, today most mothers who work do so out of economic necessity. About two-thirds of women in the labor force are either single, widowed, divorced or have husbands who earn less than $15,000 a year. In fact, during the past two decades, the fastest growing segment of the labor force has been married women with young children.

- Today, 57% of all women with children younger than six work outside the home; in 1950, only 12% did.[63]

- Today, 51% of married women with children under one year were employed, up from 33% in 1979.[64]

- Between 1967 and 1985, wives' contributions to family income increased from 10.6% to 18% for white families with children, from 19.4% to 30% for black families with children, and from 14.4% to 20% for Hispanic families with children.

- Today, more than half of all new mothers return to work before their child's first birthday.[65]

As the Number of Mothers in the Labor Force Increases, the Demand for Child Care Will Too.

The increasing labor force participation rate of mothers with young children shows no sign of abating. Two parent families need a second income just to make ends meet. For single parent families (almost always headed by a woman), it is imperative that they work: they are the sole source of support for their children. Their alternatives are work, welfare or starvation.

- By 1995, two thirds of all pre-school children (approximately 15 million) will have mothers in the work force - an increase of more than 50% over the 1986 figure of 9.6 million.[66]

- By 1995, more than three quarters of all school age children (approximately 34.4 million) will have mothers in the work force.[67]

Clearly, all of these children will have to be cared for while their mothers (and fathers) work. Child care services will have to be expanded to meet the ever growing demand, so that parents can support their families.

63. U.S. Department of Labor, p. 143.

64. Kamerman and Kahn, pp. 94-5.

65. "Working Mother is Now Norm, Study Shows," *The New York Times* (16 June 1988), A19.

66. Blank and Wilkins, 1987, p. 17.

67. Ibid.

WOMEN ARE A GROWING SHARE OF THE WORKFORCE
(Numbers in thousands, except percent)

	1950	1960	1970	1980	1990	2000
Women in the Workforce	18,389	23,240	31,543	45,487	57,230	66,670
Female Labor Force Participation Rate	33.9%	37.7%	43.3%	51.5%	57.5%	61.1%
Female Share of The Workforce	29.6%	33.4%	38.1%	42.5%	45.8%	47.5%

(Source: Workforce 2000, Hudson Institute, 1987, pg. 85.)

But families are not the only ones who need these women workers. The national economy also needs them. The changes that the economy will undergo — from the shifting economic base to the shrinking labor pool and the declining population growth rate — make it absolutely essential that we attract all of the new workers into the labor force that we can. We must draw these mothers of young children into the job market. In order to get them there, we must provide compensation and work policies that respond to their family needs. The most important of these is child care.

THE CHANGING LABOR FORCE.

The years between 1970 and 1985 were marked by sweeping demographic changes. The surge of women into the labor force coincided with a sharp downturn in U.S. birth rates, from an average of 3.7 children per woman in 1970 to 1.8 by 1985. By the year 2000, the population will grow 0.7% annually - a rate that will, in turn, mean that the future labor pool will be smaller.[68]

At the same time, the labor force itself is projected to expand at a much slower rate. In the next fifteen years, it is expected to grow at a rate of 1%, as compared to the 2.2% annual rate for the years between 1970 and 1985.[69] The segment of the population that will enter the labor force in the next fifteen years is 11% smaller, in absolute terms, and 37% smaller, relative to the base labor force, than the group that entered in 1970.[70]

Other factors in the chain of demographic dominoes point to a tightening labor market. The number of young (age 16 to 24) workers declined by about 8% between 1979 and 1986, and is expected to decline still further in the next 15 years.[71] At the same time, the teenage

68. Johnston, p. xvii.

69. Bloom and Steen, p. 11.

70. Harold Watts and Susanne Dawson, "What Can Child Care Do For Human Capital?" Paper commissioned by the Child Care Action Campaign, 1988, p. 3.

71. Bloom and Steen, p. 12.

unemployment rate has dropped.[72] Service employers who have traditionally looked to young workers to fill many low-paying service sector jobs (such as those at fast food restaurants) have to compete for an increasingly scarce number of potential employees. In some states, employers must pay employees well above the minimum wage ($3.35/hour) to draw them into the labor force. The declining national unemployment rate, now slightly more than 5%, intensifies the squeeze.

A Labor Shortage Looms.

The declining population growth rate and labor force growth rate, taken together with the eroding supply of teenage workers and the low unemployment rate raise the specter of a labor shortage. The economy desperately needs new workers to fill all of the new jobs that will be created by the growing service sector of the economy, so that economic growth can be maintained.

Competition for the shrinking group of potential workers will accelerate. Employers who want to remain competitive will have to look for ways to attract the potential employees of their choice to their firms.

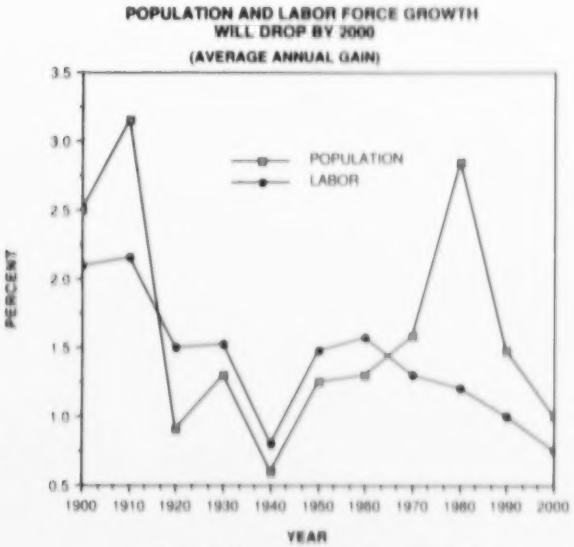
As David Bloom, Professor of Economics at Columbia University, and his Harvard-based colleague, Todd Steen write in their paper commissioned by the Child Care Action Campaign, "The Labor Force Implications of Expanding the Child Care Industry:" "There are potentially many policy responses—both public and private—to the problem of labor shortages. These include flexible scheduling, increasing use of computers and other machinery in place of human labor, and relaxing immigration requirements. However, none of these responses is as well suited to satisfying the needs of employers and households, and simultaneously promoting a variety of national interests, as policies aimed at expanding the child care industry and improving the quality of care."[73]

The Shift From a Manufacturing-Based to a Service-Based Economy.

The shift away from manufacturing and towards a service-based economy, which began in the early to mid-1970's, is expected to continue, as manufacturing jobs decline—both absolutely and as a share of GNP—and jobs in the service sector grow. In 1955, manufacturing produced some 30% of all goods and services; by 1985, the percentage dropped to 21. For the year 2000, manufacturing is expected to account for only 17% of all goods and services produced.[74] Between

72. Ibid.
73. Ibid.
74. Johnston, p. xvii.

1979 and 1985, the U.S. economy generated nearly 8 million new jobs, but actually lost more than 1.7 million jobs in manufacturing.[75] Most of these new service sector jobs were filled by women, most of whom have children. The same will be true for the future: two-thirds of all jobs created are projected to be taken by women.[76] Most of the women of child-bearing age are or will become mothers during their working lives.



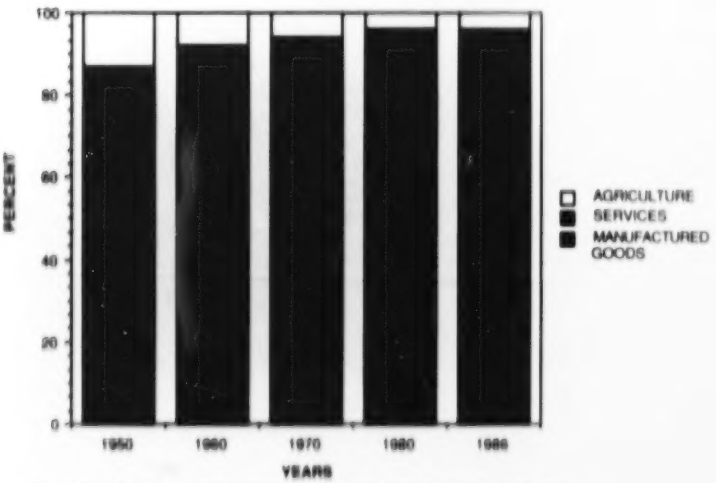
(Source: Workforce 2000, Hudson Institute, 1987, p. 77.)

Today, the service sector employs three out of four American workers. The rise of the service sector has altered, and will continue to alter, the dynamics of the workplace, affecting everything from wages and the length of the work week, to the size of the typical business establishment. Without child care, it will be difficult to attract new workers into the labor force. And without new workers, it will be difficult to maintain labor force growth, productivity and general economic health in the 1990's, and beyond the year 2000. A crisis simmers if no action is taken. We must respond to the changes that a service economy induces.

75. Gordon Berlin and Andrew Sum, *Toward a More Perfect Union: Basic Skills, Poor Families and Our Economic Future* (New York: Ford Foundation, 1988), p. 12.

76. Johnston, p. xx.

THE CHANGING INDUSTRIAL COMPOSITION OF EMPLOYMENT



(Source: A Field Guide to the U.S. Economy, The Center for Popular Economics, 1987, p. 22.)

Workers in the Service Economy Will be Paid Less Than Those in Manufacturing.

Up to half of the 8 million jobs created between 1979 and 1985 were low wage and part-time jobs in retail trade and the service sector.[77] In fact, low paying service sector jobs such as waitress and retail and administrative clerk will represent the bottom of the U.S. jobs skills curve in the 1990's.

At the same time that the number of low-paying jobs expanded, real income dropped, putting the American family in a precarious economic position.

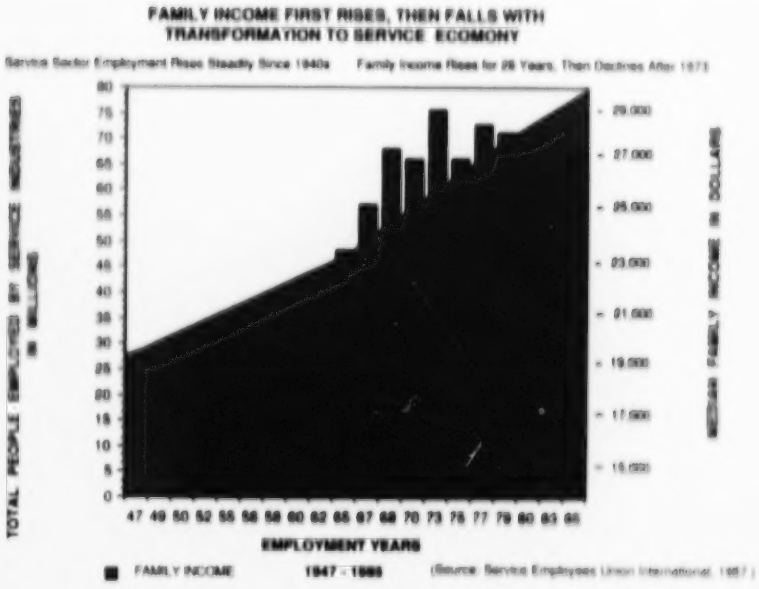
- A study by the Congressional Budget Office found that the income (after inflation) of a young family with children (headed by a person under 25) fell by 43% between 1973 and 1986. For families headed by someone aged 25 to 34, average income dropped 7% during the same time period. At the same time, the gap widened between median incomes for both Black and Hispanic families and white families.[78]

77. Berlin and Sum, p. 12.

78. Spencer Rich, "The Twilight of the Big-Paycheck, Blue-Collar Era," *The Washington Post National Weekly Edition* (13-19 June 1988), p. 6.

- The 1984 mean income level for all families with children was $29,527, 8.3% below the 1973 level.[79]
- The number of people working two or more jobs just to survive increased by 20% since 1980, to 5.7 million people.[80]

Economic survival in America has become a more arduous task. More mothers must work so that families can make ends meet; their children need child care so that their mothers can go to work.


FAMILY INCOME FIRST RISES, THEN FALLS WITH TRANSFORMATION TO SERVICE ECONOMY
Service Sector Employment Rises Steadily Since 1940s
Family Income Rises for 28 Years, Then Declines After 1973
TOTAL PEOPLE EMPLOYED BY SERVICE INDUSTRIES IN MILLIONS
MEDIAN FAMILY INCOME IN DOLLARS
EMPLOYMENT YEARS
FAMILY INCOME
1947 - 1988
(Source: Service Employees Union International, 1987.)

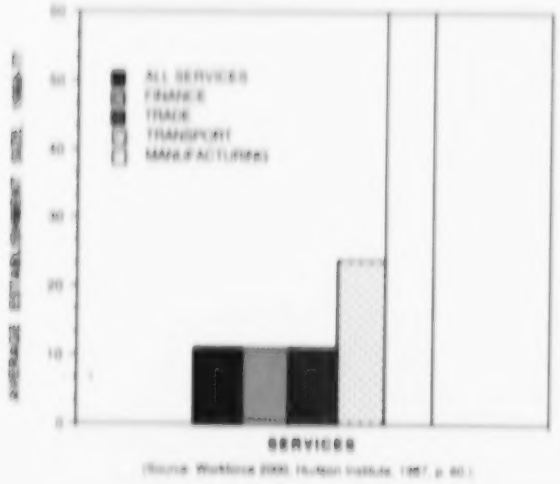
79. Sheldon Danziger and Peter Gottschalk, "How Have Families With Children Been Faring?" Report prepared for the Joint Economic Committee of the Congress, November, 1985, p. 8.

80. Jim Markey, Bureau of Labor Statistics, Verbal Communication, 9 September, 1988.

More Service Sector Jobs Will Be Created by Small Businesses.

While manufacturing jobs tend to be clustered around industrial centers, service industries are usually more geographically dispersed. They are found close to consumers, and are often smaller than manufacturing establishments. The average manufacturing enterprise employs approximately 60 people, compared to only 11 for the typical service establishment.[81] Between 1978 and 1982, more than half of all new jobs were created by firms with fewer than 100 employees. The smallest firms—those with fewer than 20 employees—now employ one out of every five workers, but are creating two-fifths of all *new* jobs.[82] Service sector employers are less likely to train their employees, or offer them a full range of benefits, such as health insurance, let alone child care. They will depend increasingly on public institutions to fill these vacuums—a fact that will have important implications for worker training.

SERVICE INDUSTRY ESTABLISHMENTS ARE SMALLER



(Source: Workforce 2000, Hudson Institute, 1987, p. 60.)

81. Johnston, p. 59.
82. Ibid.

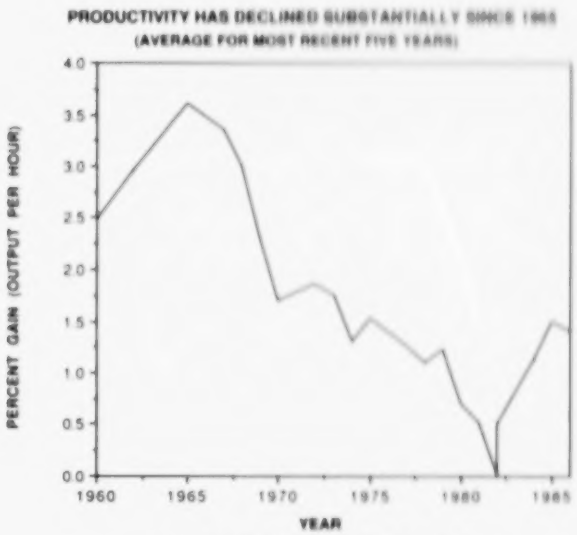
Service Industries Will Employ More Part-Time Workers.

By their very nature, service industries must be located when and where consumers need them (in order to best meet their needs) and their hours of operation must be flexible enough to accommodate consumer schedules. Employers have turned to part-time workers as a way to adapt their services to consumers' patterns, and they are expected to continue to do so.

The economy needs part-time workers just as it needs full-time workers. And part-time workers need child care just as full-time workers do. But because part-time workers earn low wages and work shorter hours, they have less money to spend on child care. They are more likely to need assistance in finding and purchasing child care if they are ever to enter the job force. It is incumbent on public institutions to step in and lead the way in developing child care.

Implications of Demographic Changes on Economic Prosperity.

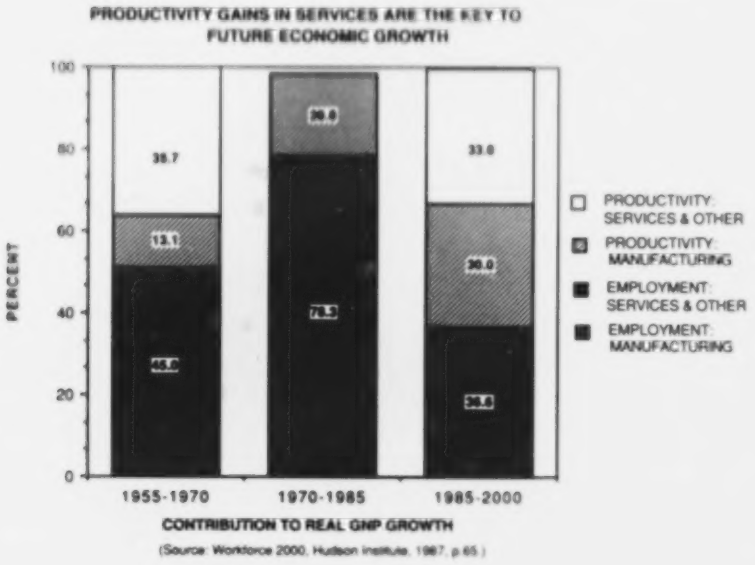
The changes in the labor force and the declining growth of the population would seem to be on a collision course with the needs of the U.S. economy. At a time when economic health depends on the ability of employers to attract and keep workers in the labor force to fill a



(Source: Workforce 2000, Hudson Institute, 1987, p. 38.)

growing number of service sector jobs, a labor shortage looms. To maintain the economic status quo, as well as to encourage economic growth, we must invest in productivity growth. This means treating workers as a resource to be respected and cultivated, not as a cost to be contained. It means creating a work environment in which employees want to work, one in which they will be motivated to work productively.

Improvements in productivity must come from the many white collar and service sector jobs that are being created, as well as in manufacturing. As Lester Thurow writes in his book, *The Zero-Sum Solution*, "To get American productivity growing again white collar workers and service workers are going to have to be at the forefront of the productivity revolution. Getting them there is going to be a management and sociological challenge of the first magnitude."[83]



(Source: Workforce 2000, Hudson Institute, 1987, p.65.)

83. Lester Thurow, *The Zero-Sum Solution: Building a World Class American Economy* (New York: Simon & Schuster, 1985), p. 82.

How Can We Invest in Productivity Growth?

Investing in productivity growth means, among other things, eliminating distractions that keep employees from working more efficiently. Employers looking for ways to invest in productivity growth can turn their attention to the work/family frontier. More American workers now play the dual role of worker *and* parent, a role which expands each individual's responsibilities and burdens. Employers can recognize the strains of the worker/parent role, and develop policies and practices that will help working parents successfully balance work and family concerns. Many worker/parents report that their worries about the child care they can find for their children interfere with their productivity on the job. Employers who invest in affordable, accessible, high quality child care are taking an important first step toward alleviating those concerns, and investing in productivity growth. Employers who view investing in child care as investing in productivity growth will be in a better position to hire the best, most productive workers.

THE EFFECT OF CHILD CARE ON THE LABOR FORCE.

Expanding the Labor Pool.

Today, more than half—50.8%—of all new mothers will return to work before their child's first birthday. In 1986, 49.8% did, and in 1976, the first year that the Census Bureau tracked the figure, 31% did.[84] Although the number of mothers entering the job market continues to climb, the choices that these women (and men) face for child care remain too narrow. Without an adequate supply, the search for good affordable child care can be overwhelming. In fact, for some families, it is formidable to the point of halting an employment search, or limiting the number of hours worked, altogether.

- A 1982 survey conducted by the Census Bureau reported that 26% of mothers with children under the age of five who were not in the labor force would enter if they had access to "satisfactory" child care at a reasonable cost. Another 13% of employed mothers would work more hours if they had access to child care.[85]

- A 1986 study in Detroit found that 40% of all mothers surveyed would enter the work force or work more hours if child care were available.[86]

84. "Working Mother is Now Norm, Study Shows," *New York Times* (16 June 1988), p. A19.

85. Bloom and Steen, p. 2.

86. Karen O. Mason, Population Studies Center, University of Michigan, 1988, unpublished study.

- A similar study in Maine reported that 40% of all Maine families were affected by the inadequate supply of child care.[87]

Women in certain socio-economic groups are likely to be even more strongly affected by the absence of child care. Of women who are single heads of households — single, divorced, widowed, or separated — and not in the labor force, 45% said they would enter if child care were available.[88] Women who have never been married and have pre-school children are likely to be the most restricted by lack of child care: 48% of women in this group who are not in the labor force said they would work if reasonably priced child care were available.[89]

The June 1982 Census Bureau study can serve as a base from which to calculate how much the labor force participation rate would increase if reasonably priced child care were available. The 26% of non-working mothers with pre-school children who would seek work if child care were available represent 1.7 million women, and 13.4% of all women with preschool age children. If these women are added to the 48.1% already in the labor force, the "potential" 1982 labor force participation rate for mothers with pre-school children would grow to 61.5%.[90] Of course, there is a differential between what survey respondents say they would do, and their actual behavior under changed conditions. But even if, for example, half of all the potential participants were induced to enter the labor force because quality, affordable child care were available, there would be a significant increase in the labor pool.

The most stark differences in labor force participation rates are related to educational backgrounds. Labor force participation and educational attainment are directly related: the higher the level of education, the more likely an individual is to work. Only 35% of high school dropouts who are mothers of pre-school age children were part of the labor force in June 1982, approximately 20 percentage points lower than the rate for mothers with college degrees. Slightly more than one-third of these women said they would look for work if affordable child care were available, yielding a potential labor force participation rate for this group of 59%. (The potential participation

87. The Maine Child Care Needs Survey, conducted by the MAINEPOLL Division of Northeast Research, Orono, Maine, 1984.

88. Bloom and Steen, p. 2.

89. Ibid., p. 9.

90. Ibid.

rate for mothers who are college graduates is 61%.)[91]

Are Demographics Destiny?

Will the availability of child care increase the labor force participation rates as much as the theoretical figures indicate they will? The potential rates are just projections of the maximum level of participation in the labor force under the optimum circumstances. Most likely, they would not be fully realized. But they do indicate the large, untapped labor pool that could be mobilized if affordable child care were widely available.

Are demographics destiny? To a certain extent, yes. More women of childbearing age will continue to enter the labor force in the next fifteen years, the number of two-worker couples will continue to grow, and the demand for child care will expand along with them. As the U.S. heads into the 21st century facing a labor shortage, employers must use every means possible to encourage labor force participation. They must recruit the most productive workers in order to maintain economic growth.

BUSINESS: WHAT THE PRIVATE SECTOR GAINS FROM CHILD CARE.

As parenting responsibilities begin to be shared more equally and as more women continue to enter the labor force, the once rigid lines dividing work and family have begun to blur. With women and men thrust into the roles of both worker and parent, family worries for both are just as likely to affect job performance as a host of other factors, including salary, benefits, and relationship with a supervisor. For workers with children, child care, and child care problems, are likely to be at the top of any list of their family's concerns.

With little public or private sector support, parents are left to their own devices to piece together their own patchwork arrangements for care. Whatever type of care they choose — group care, family day care, care with a relative — many will worry about the quality of the care, and their worrying interferes with their job performance and productivity.

As U.S. companies face an increasingly competitive global marketplace, their ability to attract and retain high quality, skilled workers will become an increasingly important tool in maintaining a competitive edge. With the average hourly wages for our key competitors in Southeast Asia in the dollar to two dollar range, we cannot work cheaper, we must work smarter. Study after study has shown that child care worries affect job performance: employers who offer their employees some kind

91. Ibid., p. 11.

of child care benefit* report reduced turnover and absenteeism, high productivity, and lower recruiting costs.

Companies That Offer Some Form of Child Care Assistance Report Lower Recruiting Costs.

Corporations that offer child care support services realize a direct return on their recruiting efforts. Recruiters for such companies as Merck and Co.,Inc. and International Business Machines (IBM) report that a growing number of job-seekers cite child care assistance or the direct provision of care as one of the reasons for targeting a firm as a potential place to work. Companies that have large numbers of qualified applicants actively trying to join its workforce are in an enviable position. They save money on recruiting costs, and they are able to choose their employees from the most talented people. Employment agency fees can often be eliminated, and other recruiting-related costs can be reduced.

Companies That Offer Some Form of Child Care Assistance Report Higher Employee Retention Rates.

The average American worker is estimated to change jobs eleven to twelve times in her or his lifetime.[92] More mobility in the job market means more employee turnover, and this costs American companies money. The loss of a valued employee means reduced productivity while the position is vacant, recruiting costs for a new employee, the expense of training a new employee, and reduced productivity while the new employee learns the new job. The nursing industry, for example, has calculated that turnover costs are $15,000 per nurse. Several corporations have estimated that it takes one year for an employee to become fully productive in a new job. These costs hit small businesses especially hard.

Company-sponsored child care services can induce employees to stay with a firm, even when competitors offer a promotion or a higher salary. In 1969, Control Data Corporation, which provided the seed money for the Northside Child Development Center near its Minneapolis headquarters, conducted a 20 month study of 90 employees. The average monthly turnover rate for employees using the center was 1.7, compared with 6.3 for employees with children elsewhere or without young children.[93]

* See Appendix I for a discussion of the ways in which employers can support their employees child care needs.

92. "Tomorrow's Jobs: Plentiful, But..." Lewis S. Richman, Fortune Magazine, April 11, 1988, p. 56.

93. Art Strohmer, "Returns on Investment For Corporations Investing in Child Care," Paper commissioned by the Child Care Action Campaign, 1988, p.8.

Employees at Hoffman-LaRoche in Nutley, New Jersey, for example, indicate that the company's sponsorship of a child care center is a powerful incentive for their remaining with them, despite better employment offers from other corporations. A 1982 U.S. Department of Health and Human Services study reinforces this finding. Of the firms providing child care assistance to their employees, 65% reported that the presence of child care alternatives resulted in decreased employee turnover.[94]

Increasing Productivity on the Job.

Several recent studies document the extent to which family related issues eat away at workers' productivity. Interestingly, these concerns affect both men and women, a trend that reflects the degree to which parenting responsibilities have begun to be more equally shared.

A study of 5,000 workers at five different corporations in the Midwest found that 48% of women and 25% of men with young children thought their worries about child care affected their time at work in unproductive ways.[95] In *Childcare and Corporate Productivity*, by John Fernandez (a division manager of Personnel Services, AT & T Communications Headquarters Region), 48% of the women and 24% of the men reported spending unproductive time at work because of child care issues.[96] In a study done by Boston University, surveying 1,565 employees at two large New England corporations, one out of every four worry about their children either "always" or "most of the time" while at work.[97] Clearly child care worries prevent parents from working as productively and efficiently as they are able. Providing parents with quality child care options is one way to increase these workers' productivity.

A *Fortune* Magazine survey of 400 men and women with children younger than 12, published in February 1987, reported that 39% of those surveyed had come in late or left early in the past three months; 20% had done so three or more times. For 72% of those people, family related issues caused them to arrive late or leave early.[98] Fernandez found that 77% of women and 73% of men take some time away from

94. Ibid.

95. Ibid., p. 14.

96. John P. Fernandez, *Child Care and Corporate Productivity: Resolving Family/Work Conflicts* (Lexington, Massachusetts: Lexington Books, 1986), p. 56.

97. Galinsky, p. 16.

98. Ellen Galinsky and Diane Hughes, "The Fortune Magazine Child Care Study", (New York: Bank Street College of Education, 1986), p. 4.

work to attend to child care concerns.[99]

Supporting Employees' Child Care Needs Reduces Absenteeism.

The *Fortune* study found that difficulty in finding child care was one of the most reliable predictors of absenteeism:[100] family problems or the need to care for a sick child led to 52% of all absenteeism. A study by Resources for Child Care Management (RCCM) and Bank Street College of Education found that 40% of nearly 1,000 parents of children under 12 in three companies had missed work at least once because of child care problems.[101] Caring for sick children illustrates the particular vulnerabilities of the lack of a coordinated child care system. Fernandez reports that caring for a sick child led 56% of women surveyed to miss work one to three times during the previous year, 78% to miss between four and six times, and 82% to be absent more than six times. The figures for men are 33%, 54% and 58%, respectively.[102] The Child Care Action Campaign estimates that businesses lose nearly $3 billion each year because of child care related absences. A growing number of corporations are finding it cost-effective to support their employees' emergency child care needs.

Child Care Problems are a Prime Stress Inducer for Many Working Parents.

Stress costs businesses money. The American Academy of Physicians found that people with the highest stress levels had two to four times the health problems of those reporting lower stress levels.[103] Stress related problems are estimated to account for roughly one-third of all workers who call in sick on any given day.[104] Michael T. Matteson and John M. Ivancevich estimate in their 1982 book, *Managing Job Stress and Health*, that a firm of 1,500 people and annual sales of $40 million loses nearly $5 million, or 12%, of sales due to stress.[105]

The work/family juggling act is one leading cause of stress. Slightly more than 40% of all workers—both parents and non-parents—surveyed at Merck and Co., Inc. by Bank Street College reported experiencing "a great deal" or "some" work/family conflict.[106] For parents with children under the age of six, the strain was even more pronounced: 68% of the mothers and 51% of the fathers reported high

99. Fernandez, p. 49.

100. Galinsky, "Child Care and Productivity," p. 10.

101. Ibid. p. 19.

102. Fernandez, p. 47.

103. Strohmer, p. 13.

104. Ibid.

105. Ibid.

106. Galinsky, "The Impact of Child Care Problems on Parents on the Job and At Home," 1988, unpublished paper, p. 14.

work/family conflict.[107] In the *Fortune* Magazine study, 23% of the parents with children 12 and under related feeling nervous and stressed "often" or "very often"; 37% reported these feelings "sometimes."[108] A study of 20,000 employees from 33 organizations in Portland Oregon revealed that 48% of the women and 28% of the men with children under 12 reported stress due to child care problems.[109]

"Child care breakdown"—the unexpected collapse of a family's usual child care arrangement, due, perhaps, to the illness of a child care provider—boosts the stress levels of many working parents. Findings from the *Fortune* study support the hypothesis that child care breakdown is a significant predictor of stress. Only 17% of the parents with no child care breakdown reported feeling nervous or stress often or very often in the previous three months, as compared to 33% of the people who experienced more frequent breakdowns.[110]

The existing fragmented system of child care forces most families to make more than one child care arrangement. In fact, parents make an average of 1.7 child care arrangements per child, according to a study conducted at New York University and according to Bank Street's survey of Merck employees.[111] Some families make even more. The RCCM-Bank Street needs assessment revealed that 38% of the families surveyed had to make different child care arrangement for different children on different days of the week.[112] This child care chain can be weak, and one broken link can wreak havoc in a working parent's life. The more arrangements a parent has, the more likely one is to break down. The more one breaks down, the more likely a parent is to feel stress. And the more stress a parent feels, the less likely she or he is to work productively.

The corporate world has already confronted stress-induced productivity slumps, by offering stress-reduction programs, exercise classes and partial payment of health clubs to employees—not to mention paying for treatment of alcoholism and drug abuse. But most do not include family-related stress in this category. Employers who expand their definition of stress to include this work/family tug-of-war—by easing parents child care burdens—can expect to be rewarded with lower rates of absenteeism, turnover and tardiness, and enhanced productivity, less arduous recruiting and greater loyalty to the corpora-

107. Ibid., p. 16.
108. Ibid.
109. Strohmer, p. 14.
110. Galinsky and Hughes, p. 4.
111. Galinsky, "Child Care and Productivity," pp. 13-14.
112. Ibid., p. 14.

tion.

What Role Do Employers Play in Solving the Child Care Crisis?

There are 3,500, of six million, U.S. employers who offer their employees some form of child care assistance.[113] The enormous amount of media attention that has been focused on these 3,500 companies distorts the real nature of corporate involvement: 3,500 represents less than six hundredths of a percent (.06%) of all U.S. employers. Although employers have sharply increased their support of child care in recent years — by 400%[114] — their efforts alone can not fully relieve the child care crisis in this country.

The employers most likely to offer child care assistance are larger corporations who have the resources and the staff to develop and carry out a company child care policy. But most Americans work for smaller employers and are expected to continue to be employed by them in the future. Smaller employers are the least likely to provide any form of child care benefit. Furthermore, company-sponsored efforts do not always benefit the larger community.

Finally, most employer-supported child care as it presently exists can not help those in the most desperate need of child care help — the poor.

POVERTY: IS CHILD CARE THE KEY TO WELFARE REFORM?

Few phrases have enjoyed such popular political currency with 1980's policy-makers and advocates as has the "feminization of poverty." In the past ten years, the numbers of women and children who have lost their grasp on a decent standard of living have jumped at a frightening pace.

- One in five American children grows up in poverty.
- One in four American children lives in a single parent family.[115]
- The median annual income of a household headed by a single mother with children under six is $6,400.[116]
- The poverty rate for single, female-headed families with children under 18 is 46%.[117]

As the gap between the haves and the have-nots widens, women and children increasingly are left to scramble for the leftover crumbs. The

113. Dana Friedman, The Conference Board.

114. Dana Friedman, The Conference Board.

115. Berlin and Sum, pp. 17-19.

116. Amy Wilkins, Children's Defense Fund, oral communication, 8 September 1988.

117. U.S. Bureau of the Census, "Characteristics of the Population Below the Poverty Level: 1984," Current Population Report, series P-60, no.152, table 15 (Washington, D.C.: U.S. Government Printing Office), pp. 59-62.

prospects for single mothers, who constitute a larger share of the poor than ever before, are especially grim. They desperately need to work, but the lack of affordable child care makes it hard for them to find and keep a job. Without steady employment, it is virtually impossible for them to move out of poverty. And without outside help, there is little hope that they ever will. The implications for their children, America's future labor force, are grave. Without intervention, they are much less likely to become productive members of society.

The burden of poverty has shifted from husband/wife households and the elderly to female-headed households, especially with children. A second income—usually from an employed wife—has protected many married couple families from poverty. Many of the elderly are kept above the poverty line by Social Security. But the rising divorce rate, pay inequity, the declining real minimum wage and the shrinking size of welfare and other benefits for the poor have contributed to the feminization of poverty.

The number of hours that earners in a family of four had to work at a minimum wage job to earn a poverty line budget increased from 2,421 hours in 1967 to 3,167 in 1984.[118] Many have had to piece together a series of part-time jobs which, as we have already discussed, pay lower wages and offer very few benefits, such as child care.

Cash payments to poor families have been systematically cut too, snatching the proverbial safety net out from under more poor Americans, particularly women and children.

In 1984, 13.5 percent of the population lived in poverty;[119] twenty percent of all children were poor. If there is any hope of ending this cycle of poverty, for both women and their children, we must intervene. We must help these women enter the work force and increase their earnings, so that they become economically self-sufficient. Providing child care is the first step toward that goal.

Barriers to Employment for Single Mothers.

While the pundits and the politicians passionately debate ways to reform the welfare system with mandatory work programs, few realize the difficulties that going to work presents for women with young children. Lack of affordable child care keeps many women out of the work force, and when one looks at the financial ledger, it's easy to see why.

Child care represents approximately 10% of an average family's budget, compared to 17% of a single mother's budget, and 23% of a low

118. Danziger and Gottschalk, pp. 27-29.

119. Diana Lewis, U.S. Bureaus of the Census, verbal communication, 9 September, 1988.

income family's budget.[120] With the median annual income of families headed by a single mother at $8,136,[121] and for single mothers of children under six totalling $6,400 and the average yearly, per child cost for child care at $3,000, child care costs often cancel out the wages earned. Even if families pay less than $3,000 per year, child care costs are still likely to eat up a significant proportion of family income—if only because that income is so low. Many single mothers are deterred from working, not out of lack of desire, but because when the cost of child care is weighed against the wages (often minimum) earned, working scarcely seems worth the effort.

A 1986 study conducted by the National Social Science and Law Center in Washington State looked at the barriers to employment for single mothers on Aid to Families with Dependent Children (AFDC). Nearly two-thirds of those surveyed cited child care difficulties as the biggest obstacle in looking for and keeping a job; more than three-quarters of the women who stopped looking for work cited child care problems as the reason. Ninety percent of the women surveyed had children under the age of 12; more than half had children younger than six.[122]

Other studies report similar trends. In 1982, a Census Bureau survey reported that 45% of non-working single parents and 36% of non-working low-income parents would work if reasonably priced child care were available.[123] The California Governor's Child Care Task Force commissioned a Gallup Poll to survey 1,200 California parents. One-quarter of all parents who were homemakers or unemployed, and one-third of all single parents, reported that inadequate child care kept them from working or getting training.[124]

Clearly, as David Ellwood demonstrates in his book, *Divide and Conquer: Responsible Security for America's Poor,* "taking care of the house and family" is the single biggest factor in preventing parents in both two parent and single parent households from working.[125]

120. Garfinkel, p. 4.

121. U.S. Bureau of the Census

122. Blank and Wilkins, 1986, p. 19.

123. Blank and Wilkins, 1987, pp. 21-22.

124. Blank and Wilkins, 1986, p. 19.

125. David Ellwood, *Divide and Conquer: Responsible Security for America's Poor*, (New York: Ford Foundation, 1987), p. 34.

Main Reason Why Poor* Female
Heads of Households with Children
Did Not Work More During 1984

Already Working Full Year	
Full Time	7.9%
Part Time	5.4%
Worked Part of the Year, But Couldn't Find Work During the Remainder	10.6%
Unable to Find At All	7.7%
Ill or Disabled	10.8%
Taking Care of House/Children	47.4%
Retired	2.0%
In School	3.9%
Other	4.2%
TOTAL	100.0%

*Family income not counting government transfers is below the poverty line.
Source: David Ellwood, *Divide and Conquer*, Ford Foundation, 1987, pg. 33

Why Are Single Mothers Especially Important to Our Economy?

Almost all of these unemployed single mothers are potential labor force participants — many of them say they *want* to work. Each of them could fill one of the mushrooming number of service sector jobs. All of them could help to circumvent the labor shortage that is projected for the years ahead. The economy needs these potential workers. While it is impossible to say whether providing them with child care, by itself, will be enough to draw them into the job market, it is clear that child care is, at the least, a necessary support to get them there. They will almost certainly not work without child care. And if they do not work, they have a slim chance of moving out of poverty.

For both the present and future labor force, child care has become more important. Unfortunately, at a time when the poor are in the most need of child care assistance, there is less outside support available.

The Two-Tiered System of Child Care.

Some single parent and low-income families who need child care assistance can get *some* support from the Federal government, but there is not enough available to serve all eligible families. Most of the current Federal dollars spent on child care come from the Dependent Care Tax Credit, which does not increase the supply of child care and exacerbates the already existing two-tier system of care — one in which poor families have one standard of care, and middle and upper income families have another, based on their ability to pay. Any comprehensive, coordinated national system of child care must work towards eliminating this gap in quality. Several steps can be taken in this direction. The tax credit can be made more progressive by making it refundable,

setting the credit at higher levels for low-income families and progressively reducing it at higher income levels until it reaches zero at the point of affordability. Publicly subsidized programs that exclusively serve the poor, and often stop serving them when family income rises even marginally, should be restructured. Low-income families should be able to remain in the same program by paying more for child care as their income increases. A child care system that segregates poor children from their middle- and upper-income peers perpetuates a damaging division in the American educational system.

Child Care: Reinforcing or Reversing Discrimination.

As with other social issues, child care affects and is affected by racial discrimination. Children's attitudes about themselves and about the world around them are formed during their earliest years. Segregating children by race and class during their most vulnerable years initiates and perpetuates discrimination.

The choatic, under-financed child care system poses an even greater threat to Black and Hispanic children whose families are more likely to live in poverty, whose parents have fewer job options, and for whom public schools are often a dismal failure.

Patterns of racial segregation in housing and education are often replicated in child care programs—which tend to be located near where families live. A child care system—or even a single child care program—which segregates according to race poses a severe threat to our society.

Existing Federal Government Subsidies to Low-Income Families.

In both style and substance, the Federal government's role in subsidizing child care has changed in the last eight to ten years. Demand-side subsidies (such as the Dependent Care Tax Credit and Dependent Care Assistance Programs) have been added to supply-side subsidies (such as Head Start and the Social Services Block Grant) and have become a much bigger part of Federal child care subsidization. Actual funding levels have dropped too. Between 1977 and 1986, Federal spending on child care (excluding the Child Care Tax Credit) declined by almost 25% in real dollars.[126]

The Federal government sponsors 22 separate programs that provide some form of child care assistance.[127] It spends roughly $6 billion each year on child care. The Dependent Care Tax Credit accounts for $3.5 billion of the total amount of money spent on subsidized child care. The remaining $2.5 billion supports child care for low-income

126. Robins, p. 17.
127. Ibid. p. 15.

families through Head Start, part of Title XX of the Social Security Act (the Social Services Block Grant), Aid for Families with Dependent Children, and part of the National School Lunch Program.

Head Start is the only Federal program that directly supplies child care—85% of it part-time. It was developed in 1964 to provide compensatory education to pre-school children (ages three and four), ninety percent of whom must come from poor families. The program was not designed for families in which mothers work. It does not serve children under three.

Although Head Start has had many successes, there are two main drawbacks. First, it is almost universally a half day program—an arrangement that is inconvenient for most working parents. Second, it has never been able to serve more than 16 to 17%[128] of the eligible children. In 1986, Head Start served approximately 430,000 children, at a cost of one billion dollars.[129]

Title XX is the major Federal funding source available to states who want to subsidize child care for low-income families, but states are not required to use the money for child care. It can also be used for a variety of other crucial social services for low-income families. The states determine how much of the Federal block grant, and how much of their own funds, will be put toward each service. To be eligible for Title XX support, most states require the mother to work or be in a training program, or a child to be at risk of abuse. Not surprisingly, each state has a long waiting list of families who need Title XX assistance.

In 1981, the Federal government cut Title XX funding by 20%. Although Congress has restored a small portion of these slashed monies since 1982, the program has not been restored to 1981 funding levels, or even to a level that keeps up with inflation. The $2.7 billion Federal Title XX budget for FY 1987, when adjusted for inflation, is approximately 75% of what it was in 1981.

The Federal government provides a maximum of $160 per month in child care subsidies for working families receiving AFDC benefits. Families pay their own child care expenses directly to the child care provider. Their child care expenses—up to the $160 monthly limit—are deducted, or disregarded when their AFDC benefits are calculated.

The program does little to help working poor families make ends meet. The schedule of payment and reimbursement, with parents paying for child care, and then waiting for AFDC reimbursement, is a hardship for many families. Even though they will be repaid, requiring

128. Helen Blank, Children's Defense Fund, personal communication.

129. Garfinkel, p. 5.

families to pay up-front means asking them to pit child care costs against other basic necessities, such as food and clothing. Moreover, the $160 monthly limit doesn't buy stable child care in most areas. (Welfare reform legislation currently before Congress would raise the limit.)

In 1986, the AFDC child care disregard cost the Federal government only $35 million; only the relatively small number of AFDC recipients who work can use the disregard.[130]

The National School Lunch Program provides money for lunches to poor children in child care centers. This subsidy costs the Federal government $.5 billion annually.[131]

"It should be pointed out that in comparison to other social programs, current expenditures on child care are extremely modest," writes Philip K. Robins, Professor of Economics at the University of Miami, in his paper commissioned by the Child Care Action Campaign, "Federal Financing of Child Care: Alternative Approaches and Economic Implications." "In 1986, Federal child care expenditures of $5.5 billion represented under 4% of total Federal spending on education, training, employment, social services, and income security (excluding spending on Medicare, other health programs and Old Age, Survivors and Disability Insurance)."[132]

Dependent Care Tax Credit.

The Dependent Care Tax Credit subsidizes child care by allowing them to subtract between 20% and 30% (a maximum of $720 for one child, and $1,440 for two or more children) of their child care expenses from their tax liability. More than 60% of all Federal child care spending is accounted for by the tax credit. But because most low-income families have limited tax liability and because the credit is not refundable, the Dependent Care Tax Credit does little to help them buy quality child care. Of the 4.6 million families who claimed the DCTC in 1981, 64% were above the median income level. In 1983, the DCTC was added to the short income tax form (1040 A) in hopes of drawing in low- and moderate-income taxpayers. With public education, the number of DCTC claims jumped to 6.4 million, 49% of which went to taxpayers with annual gross income of less than $25,000.[133]

Despite this outreach, over half of the subsidy still benefits middle- and upper-middle income families, who need financial assistance less than low-income families.

130. Ibid., p. 6.
131. Ibid., p. 5.
132. Robins, p. 25.
133. Kamerman and Kahn, pp. 96-97.

Tax reform has meant that even fewer low-income families have been able to take advantage of the tax credit. According to Irwin Garfinkel, Professor of Social Work at the University of Wisconsin, "Thanks to the 1986 Tax Reform Act, which increased the personal Federal income tax exemption to nearly $2,000 for each adult and child, most poor families, even if they fully utilize the earnings capacity of all available adults, cannot earn enough income to incur substantial tax liabilities. Therefore, poor families will not benefit from an increase in the value of the child care tax credit."[134]

Child Care and Welfare Reform.

With many states, and the Federal government, incorporating work programs or job training into their welfare reform packages, and because most welfare recipients are women and young children, child care would seem to be a more pressing need. But as the impetus for welfare reform gathers momentum, many states do not recognize that child care must be an essential element of support in helping the poor move to self sufficiency. A General Accounting Office study reports that 60% of AFDC work program respondents said that lack of child care prevented their participating in the program. Yet, the states spend only 6.4% of AFDC work programs's median budget on child care.[135]

Subsidizing child care is actually more cost effective than paying AFDC benefits and Medicaid, as several state studies have borne out.

- The Colorado Department of Social Services estimates that providing child care assistance to low-income families costs only 38% of what it would cost to provide those same families with AFDC and Medicaid if they were unemployed.[136]

- Family income and taxes paid increased six-and-a-half times among California families who used a child care program for two years. Total public funding was offset by 45%; 68% of AFDC families no longer required income assistance.[137]

- Almost half of the participants in a voucher day care program in Massachusetts were able to earn their way off AFDC. Employment levels rose with the length of participation, from 63% at the start, to 93% for those using the child care vouchers for 12 months or more.[138]

134. Garfinkel, p. 11.
135. Blank and Wilkins, 1987, p. 21.
136. Ibid., p. 22.
137. Ibid., p. 37.
138. Ibid., p. 37.

In fact, Massachusetts and California have the two most frequently touted welfare programs in the country. Massachusetts commits 50% of its Employment and Training (ET) Program budget to child care,[139] and California's GAIN (Greater Avenue for Independence) allocated $6 million of its budget for child care during the first year of the program.[140]

ET offers poor, mostly single, mothers the institutional support to find a job, by providing them with education, job training and placement and career planning classes. Participants who do land jobs are given transportation allowances and free child care for up to one year after they start working. If their employers do not provide health insurance, they are still eligible for Medicaid for up to 15 months. Participation in ET is voluntary.

In California, GAIN participants can choose from such options as vocational counseling and training, seminars in how to get and keep a job, remedial education, and English-as-a-second-language. Child care and transportation are provided. No welfare recipient will be forced to work right away. However, if she does not get a job in the field in which she trained, the state may require her to work. But it must offer her a job that uses the skill she learned. California rules stipulate that a job must pay at least as much as AFDC, including child care, transportation and health insurance. Participants will be covered for these costs for three months after they begin working, in order to help them make the transition to the work force.

How Successful is Welfare Reform?

Some economists and policy-makers assert that the triumphs of ET and GAIN have been oversold.[141] Despite these doubts, interest in welfare reform is unlikely to wane at any time in the near future. The 100th Congress is debating legislation that would require states to develop education, training programs and jobs for "able-bodied adults on welfare," except those with children under three. (States can lower the exemption to those with children under one.) Child care will be provided for the first nine months of employment, and family Medicaid benefits for up to one year. In addition to the Congressional effort, twenty eight states have experimented with some form of workfare. But most of them have not made child care a significant part of their packages. In several states, the recipients were involved on a short term basis, and most were women with school-age children, for whom child care was not perceived to be as pressing a need.

139. Blank and Wilkins, 1987, pp. 35-36.

140. Ibid., p. 37.

141. Mickey Kaus, "The Work Ethic State," *The New Republic* (7 July 1986), p. 26.

Child care may not be *the* agent that transforms the poor, especially single mothers, from economic wallflowers into belles of the job market ball, but it is a necessary support. In the short run, it helps poor, single mothers to be both workers and mothers. In the long run, it gives their children—the future labor force—the necessary care and early education, so that they will not be condemned to the same debilitating cycle of poverty.

CHILD CARE, EARLY EDUCATION AND THE FUTURE LABOR FORCE.

When U. S. Secretary of Education T.H. Bell released the report, *A Nation at Risk* in 1983, it sparked renewed interest in education reform. A "rising tide of mediocrity"[142] threatens America's public schools, the report warned. America's continued economic growth and global leadership requires an educated well-informed potential workforce. But many, too many, American youths leave the public schools ill-equipped to handle the complex tasks that employers increasingly require. The implications for the future labor force are grim.

THE OCCUPATIONS OF THE FUTURE WILL REQUIRE MORE EDUCATION

	Current Jobs	New Jobs
Total	100%	100%
8 Years or Less	6%	4%
1–3 Years of High School	12%	10%
4 Years of High School	40%	35%
1–3 Years of College	20%	22%
4 Years of College or More	22%	30%
Median Years of School	12.8	13.5

Source: Workforce 2000, Hudson Institute, 1987, pg. 98.

Businesses have recognized the dangers that a poorly educated workforce poses to future economic health and leadership. They have increased their commitment to improving the public schools—and the future labor force—by forming business/school partnerships. Their involvement ranges from participating in adopt-a-school programs to advocating for educational reforms. The Atlanta Partnership of Business and Education has an adopt-a-school program and an affirmative action/adopt-a-student program. They help link university faculty with Atlanta teachers, and volunteer tutors from the community with schools that need tutorial services. In 1984, they successfully lobbied for the passage of comprehensive education reform legislation.

142. National Commission on Excellence in Education, *A Nation at Risk* (Washington, D.C.: U.S. Department of Education, 1983).

In Boston, the public schools and leaders from government, business, labor and the community formed the Boston Compact to improve the education available to Boston's young people. The common goal of these, and other programs like them, is to strengthen the public schools, so that young people will be well-prepared to fill future jobs.

Early childhood experts have long known that a child's first five years are the ideal time to lay the educational base that will support lifelong learning. By improving the early education that American children receive, we can produce a better educated, better trained future work force, one that will contribute to future economic growth. If we ignore these important early years, we are likely to move into the 21st century with a workforce that lacks the skills that employers will need.

The Need For a Well-Educated Workforce.

Employers of the 1990's and the next century will need a more highly skilled labor force than they do today, or needed 30 years ago.[143] The expanding service sector of the economy will require more literate workers with problem solving skills. Skilled manufacturing jobs will need workers with the intellectual agility to work on computers and other sophisticated machinery. All sectors of the economy will need a work force that can read and write, one that can switch jobs and learn new skills. Clearly, a well-educated and well-trained population constitutes the base from which such a work force is drawn.

Before 1950, fewer than 50% of all students graduated from high school. With plenty of manufacturing and manual labor jobs, a high school education was not essential. But, more than half of all the new jobs that will be created between 1984 and the year 2000 will require some education beyond high school. Almost one-third will be filled by college graduates. Today, only 22% are.[144]

Behavior patterns that can lead to school failure and dropping out can be identified during the first five years of life. By providing quality child care during those early educational years, we stand the best chance of instilling in young students the desire and the ability to stay in school and learn. If we do not, we risk being saddled with another generation of educational problems, similar to the ones we have today. Fewer than 50% of high school seniors read at a level adequate for carrying out moderately complex jobs.[145] Approximately 80% have

143. Committee for Economic Development, *Children in Need: Investment Strategies for the Educationally Disadvantaged* (New York: Committee for Economic Development, 1987), p. 5.

144. Johnston, p. 97.

145. Committee for Economic Development, p. 3.

inadequate writing skills.[146] A study released in June 1988 reports that only half of the nation's 17 year-olds can solve mathematics problems at the junior high school level; fewer than one in 15 can handle high school level problems that take several steps or involve algebra or geometry.[147] Approximately one in seven American students drops out of high school.[148]

Educational performance for all students has declined. There are many more students with poor writing skills than there are economically disadvantaged students. Therefore any from of educational intervention, including the provision of quality child care, must be aimed at all students.

Is Early Educational Intervention Cost Effective?

Each year's class of drop-outs will cost the nation more than $240 billion in lost earning and forgone taxes. (This figure excludes one billion dollars more for crime control, welfare, health care and other social services.)[149] But, according to a report by the U.S. House of Representatives' Select Committee on Children, Youth and Families, every dollar spent today to prevent educational failure saves $4.75 in future costs of remedial education, welfare and crime. Investing in quality child care is the way not only to prevent these educational failures, but to save money as well.[150]

Early Education and the Poor.

Although all students are affected by educational decline, the poor are especially hard hit. Lack of education means a greater likelihood that they will spend their adult lives in poverty.

For poor children, the first five years of education are especially important. Many of them have little chance to participate in the quality pre-school programs that are much more accessible to their middle- and upper-middle class peers. Child care experts Al Kahn and Sheila Kamerman calculate that in 1985, fewer than 33% of four year olds and 17% of three year olds from families with incomes under $10,000 a year were enrolled in preschool programs, as compared to 67% of four year olds and 54% of three year olds from families with yearly incomes of $35,000 and above. This manifestation of the two-tier child care system illustrates the importance of providing quality child care to low-income

146. Ibid.

147. Edward B. Fiske, "Schools' Back-to-Basics drive Found to Be Working in Math," *New York Times* (8 JUne 1988), p. 1.

148. Lisbeth B. Schorr, *Within Our Reach: Breaking the Cycle of Disadvantage* (New York: Anchor Press/Doubleday, 1988), p. 8.

149. Committee for Economic Development, p. 4.

150. Ibid., p. 15.

families. Without adequate pre-school preparation, these "at risk" children reach kindergarten distinctly disadvantaged. They work to master skills and concepts that other, better prepared students can grasp with relative ease. As they progress through the school system, the current working against these "at risk" children grows stronger each year, until finally, the struggle seems barely worth the effort, and they drop out. Those who do stay in school often graduate as functional illiterates.

Programs that intervene in these early years, such as Federally-funded Head Start, some of the state-funded day care programs and school-based programs like the Perry Pre-School Project, or other quality day care and preschool programs, have the best chance of keeping children, especially those considered to be "at risk", in school, out of trouble and off the streets. Their success, however, is only possible in programs of adequate quality, and that use a developmental approach.

The Perry Pre-School Project, in Ypsilanti, Michigan, is one of the most "highly praised and duplicated"[151] of all compensatory pre-school programs in the country. Its successes are often cited as the rationale for greater public investment in similar programs. Participants in the Perry Pre-School were children at very high risk—the poorest of the poor—a fact that makes the program's accomplishments all the more noteworthy.

Harold Watts and Suzanne Donovan identify many of the benefits of the Perry Pre-school Project in their paper "What Can Child Care Do For Human Capital?" commissioned by the Child Care Action Campaign. They write: "Among program participants, 67% graduated from high school, compared to 49% of the control group. Program participants were also more likely to receive either academic or vocational education after high school (38% and 21% respectively). At age 19, program participants were significantly more likely to be working (50% compared to 32%), significantly more likely to be supporting themselves (45% compared to 25%), and were significantly less likely to be on welfare (18% versus 32%). Program participants were also less likely to be involved in crime either as juveniles or as young adults, and were less likely to experience a teen pregnancy."[152]

Other projects report other successes. A study comparing the long term effects of 14 different pre-school programs, conducted by the Consortium for Longitudinal Studies at Cornell University in 1979, found that most high-quality programs effectively raised achievement

151. Ibid., p. 33.

152. Harold Watts and Suzanne Donovan, "What Can Child Care Do For Human Capital?" Paper commissioned by the Child Care Action Campaign, p. 12.

and IQ scores and boosted the self-esteem of those children who participated. Any well-designed, professionally supervised program that stimulates and socializes infants and young children from impoverished backgrounds is effective, the report concluded.[153]

Early childhood initiatives such as the Perry Pre-School Project are not panaceas to the educational and economic dilemmas that confront the U.S. While most of the children who participated in the program benefited, the project, and others like it, did not prevent all of the students who took part from running into future problems. Approximately one-third of the children who participated still needed remedial education, developed into delinquents and ended up in jail, or became "unemployable high school dropouts."[154]

Part of the failure can be attributed to the country's lack of commitment to early childhood education. In 1986, $264 billion was funnelled through the Department of Education on education for children age six and older, but only $1 billion for education for children under the age of five.[155] Even states with large numbers of poor pre-schoolers and state-funded early childhood education programs can reach only a small percentage — less than 20% — of eligible children.[156]

In the past, arguments supporting early childhood education initiatives have been carried along on the moral imperative of helping children, our most precious resource. But, pressing economic needs now buttress these moral arguments. We are at the economic crossroads: a labor shortage meets a growing service economy. We need more workers, and we need better trained, smarter workers. American's competitive edge will come from the intelligence and resilience of its work force, a resilience and intelligence that can, and should, be instilled at an early age.

153. Committee for Economic Development, p. 33.

154. Ibid.

155. Ibid., pp. 21-22.

156. Ibid.

The changes that are reshaping American society require action if we are to generate economic growth and improve our standard of living. The economy, the labor force and the American family have changed. But policy remains stuck in the past.

If we continue to ignore the growing demand for child care, we risk limiting the expansion of the labor force and jeopardizing economic growth. We endanger millions of young children—the future labor force—for whom quality child care during their first five years lays the foundation for lifetime learning. Children, families, employers, and the nation's economy all suffer from the lack of affordable, quality child care.

The most dramatic demographic change of the past twenty years has been the rapid influx of mothers of young children into the labor force. Today, 57% of all women with children younger than six work outside the home; in 1950, only 12% did. In 1988, more than half of all new mothers return to work before their child's first birthday. Today, only 7% of American households fit the stereotypical mold with a breadwinning father and an at-home mother raising the children.

Most mothers who work do so out of economic necessity. Approximately two-thirds of women in the work force are single, widowed, divorced or have husbands who earn less than $15,000 a year. But most have few options for child care. Supplemental child care has become an economic necessity for the majority of American families with young children whose parents are unable to work without constantly worrying about their child care arrangements, or to take parental leave to care for their infants without the risk of losing their jobs.

The Economy Can't Wait.

We must develop a national consensus for action on the five critical challenges facing the American economy: the impending labor shortage; the need for women to fill two out of three new jobs; the decline in productivity growth which threatens U.S. competitiveness; the demand for a more educated workforce; and the shift from manufacturing to service sector jobs.

Economic growth depends on our ability to draw new workers into the labor force, and improve the productivity of those already there. The expansion of the service sector coupled with the projected labor shortage means that employers will have to compete to attract and retain qualified workers.

● **Child Care Can Expand the Labor Pool.**

Child care draws new workers, many of whom are mothers, into the labor force. In a 1982 survey by the Census Bureau, 26 percent of mothers with children under the age of five who were not in the labor force said they would enter if they had access to "satisfactory" child care at a reasonable cost. Another 13 percent of employed mothers would work more hours if they had access to child care.

● **Early education can make the difference between success and failure.**

Behavior patterns that often lead to school failure and dropping out can be identified during the first five years of a child's life. Providing quality early education programs during those first years is the best way to instill in young students the desire and the ability to stay in school and learn. We risk being saddled with a generation of education problems, in which high school graduates do not have the reading, writing, or mathematical skills to carry out increasingly complex jobs.

● **Child Care Enables Families to Be Financially Self-Sufficient.**

Investing in quality child care can reduce welfare costs. In the past fifteen years, the number of single parent, female headed households has nearly doubled. These single mother families make up the bulk of welfare recipients and have an acute need for child care: they are their families' sole source of support and only hope.

Welfare reform programs in California and Massachusetts provide child care as well as job training and transitional health benefits for newly employed workers. Welfare case loads have been reduced and welfare costs have been cut.

● **Child Care Improves Corporate Productivity.**

Only 3,500 or .0006 of the nation's six million employers provide some form of child care assistance to their employees. Many more employers are investigating ways to provide some form of child care benefit, because they recognize the positive impact on their bottom line and the potential for significant declines in absenteeism and turnover, and improved employee morale and productivity.

A TIME FOR ACTION.

We know how to provide quality child care. We also know that a comprehensive system of quality care requires more resources than we currently invest. Whose responsibility is such an increased investment?

This paper outlines the benefits to the Federal government, to the states, to employers, and to families, of more and better child care. Each of these sectors must participate in the debate over solutions, and must invest in the needed improvements.

The Child Care Action Campaign has outlined the policy changes needed to achieve the kind of child care delivery system that our families and economy require. We hope that the readers of this document will participate with us in the continuing debate over policy choices, and will join our efforts to make these recommendations a reality.

The Nature of Corporate Involvement in Child Care

U.S. employers first provided child care assistance during World War II when women were actively recruited into the labor force and child care was considered a necessary incentive in the overall war effort.

Today, an estimated 3,500 employers across the country provide some form of child care assistance to their employees. Many of these employers are hospitals or high growth companies that want to attract and retain trained workers. The nationwide increase in the number of two-earner couples and single parents along with the decline in the growth of the labor force is leading more and more employers to consider the advantages of providing child care assistance.

In the early 1970's, most companies thought of an on-site day care center as the only way to meet employees' child care needs. Today there is both interest in and experience with a range of employer supported child care options:

1. Providing Direct Services

On-site or near-site centers. Companies may own and operate their own child care facility, construct a center and donate it to non-profit employee-operated groups, or contract with a for-profit or not-for-profit organization to run a center for company employees.

Consortium centers. A group of employers, sometimes together with a community agency and/or a union, may form a not-for-profit corporation to fund a day care center conveniently located to all firms contributing to the consortium.

Family day care networks. Employers contract with local agencies to recruit, train, and assist people to become licensed child care providers in their own homes. Family day care programs may be particularly appropriate for infants and can offer flexible hours for people who work odd shifts.

Emergency services. Employees report that making emergency arrangements — especially when a child is mildly ill — can be especially difficult. Employers can help pay for special sick child infirmaries or family daycare homes, or for health care workers who go to the child's home.

Summer day camps. These are often organized by community agencies or unions and partially subsidized by the company.

2. Providing Information

Child care resource and referral programs (CCR&R). These services are provided through in-house sources or by contract with a commu-

nity based resource and referral agency. They may: inform employees about the different forms of child care in the community: part and full day centers, family day care, group family day care homes; know which programs have vacancies and have detailed information about each service; help parents choose the best arrangement for their child; help new child care programs get started.; and speak out on child care issues.

Parent education seminars. Staff or outside consultants organize forums to inform working parents about resources in the community and to provide support on work and family issues.

3. Providing Financial Assistance

Child care benefits. Subsidy and discount programs, Dependent Care Assistance Plans (DCAP) or reimbursement accounts for child care may be used to assist eligible employees with all or part of their child care costs.

Flexible or cafeteria-style benefits. Such plans offer child care as one of a range of optional benefits and allow employees to choose an employer-subsidized package best suited to meet family needs. This allows the employer to offer child care to employees without increasing the total cost of benefits.

Salary reduction or salary set-aside. An employee may elect to exchange a portion of salary for a non-taxable child care benefit.

Voucher programs. An employee may select a child care program and submit an employer-financed voucher to the provider, to cover all or part of the cost of the services. This alternative gives parents full responsibility for choosing their child care provider.

4. Providing Flexible Personnel Policies

Employers can support the child care needs of their employees by instituting various flexible personnel policies — often with no increase in direct benefit expenses. These include flextime, sick child care leaves, part-time schedules, job-sharing, extended maternity and paternity benefits, and work-at-home plans.

Establishing such policies lets employees know that the employer is aware of and concerned about employees' efforts to balance the demands of work and family life. The option, or set of options a company selects will depend on the particular needs of management, employee needs and preferences, and community resources.

Bailey, Julie. "Jobs For Women in the Nineties." *Ms.* (July 1988).

Berlin, Gordon and Andrew Sum. *Toward a More Perfect Union: Poor Families and Our Economic Future*. New York: Ford Foundation, 1988.

Blank, Helen and Amy Wilkins. *State Child Care Fact Book, 1986*. Washington, D.C.: Children's Defense Fund, 1986.

Blank, Helen and Amy Wilkins. *State Child Care Fact Book, 1987*. Washington, D.C. : Children's Defense Fund, 1987.

Bloom, David E. and Todd P. Steen. "The Labor Force Implications of Expanding the Child Care Industry." Child Care Action Campaign, 1988.

Chapman, Fern Schumer. "Executive Guilt: Who's Taking Care of the Children?" *Fortune* (16 February 1987).

Committee for Economic Development. *Children in Need: Investment Strategies For the Educationally Disadvantaged*. New York: Committee for Economic Development, 1987.

Connelly, Rachel. "The Barriers to Increasing the Supply of Quality Affordable Child Care." Child Care Action Campaign, 1988.

Danziger, Sheldon and Peter Gottschalk. "How Have Families with Children Been Faring?" A report prepared for the Joint Economic Committee of the Congress, November 1985.

Dowd, Maureen. "Many Women in Poll Value Job as Much as Family Life." *New York Times* (4 December 1983).

Ehrenreich, Barbara, et.al. "Welfare and Work: A Symposium." *The New Republic* (6 October 1986).

Fernandez, John P. *Child care and Corporate Productivity: Resolving Family / Work Conflicts*. Lexington, Massachusetts: Lexington Books, 1986.

Fiske, Edward B. "Schools' Back-to-Basics Drive Found to Be Working in Math." *New York Times* (8 June 1988).

Foderaro, Lisa W. "As Summer Approaches, Employers Compete to Attract Scarce Workers." *New York Times*. (12 June 1988).

Friedman, Dana. *Corporate Financial Assistance for Child Care*. Research Bulletin No. 177. New York: The Conference Board, 1985. Galinsky, Ellen and Diane Hughes, "The Fortune Magazine Study," Bank Street College of Education, 1986.

Galinsky, Ellen. "Child Care and Productivity," Child Care Action Campaign, 1988. Unpublished.

Galinsky, Ellen. "The Impact of Child Care Problems on Parents on the Job and at Home." 1988. Unpublished.

Galinsky, Ellen. *Investing in Quality Child Care: A Report for AT & T*. November 1986.

Garfinkel, Irwin. "The Potential of Child Care to Reduce Poverty and Welfare Dependence," Child Care Action Campaign, 1988.

Grubb, W. Norton. "Public School Provision of Child Care: Costs and Consequences," Child Care Action Campaign, 1988.

Gueron, Judith M. *Reforming Welfare With Work*. New York: Ford Foundation, 1987.

Hartmann, Heidi I. and Diana M. Pearce. "Wages and Salaries of Child Care Workers: The Economic and Social Realities," Child Care Action Campaign, 1988.

Johnston, William B. *Workforce 2000: Work and Workers For the 21st Century*. Indianapolis: Hudson Institute, 1987.

Kamerman, Sheila B. and Alfred J. Kahn. *Child Care: Facing the Hard Choices*. Dover, Massachusetts: Auburn House, 1987.

Kamerman, Sheila B. and Alfred J. Kahn. "Towards a National Child Care Policy." Columbia University School of Social Work. (12 August 1986).

Kaus, Mickey. "*The Work Ethic State: The Only Way to Break the Culture of Poverty*." The New Republic (7 July 1986).

The National Commission on Excellence in Education. *A Nation at Risk: The Imperative for Educational Reform*. Washington, D.C.: The National Commission on Excellence in Education, 1983.

Rich, Spencer. "The Twilight of the Big-Paycheck, Blue-Collar Era: For workers with little education, it's getting harder and harder to have a middle-class life." *The Washington Post National Weekly Edition*. (13-19 June 1988).

Robins, Philip K. "Federal Financing of Child Care: Alternative Approaches and Economic Implications," Child Care Action Campaign, 1988.

Schorr, Lisbeth B. *Within Our Reach: Breaking the Cycle of Disadvantage*. New York: Anchor Press/Doubleday, 1988.

Sidel, Ruth. *Women and Children Last: The Plight of Poor Women in Affluent America*. New York: Viking, 1986.

Strohmer, Art. "Returns on Investment for Corporations Investing in Child Care," Child Care Action Campaign, 1988.

Thurow, Lester C. *The Zero-Sum Solution: Building a World-Class American Economy*. New York: Simon & Schuster, 1985.

U.S. Department of Labor. *Child Care, A Workforce Issue: Report of the Secretary's Task Force*. Washington, D.C.: U.S. Department of Labor, 1988.

Watts, Harold W. and Suzanne Donovan. "What Can Child Care Do For Human Capital?," Child Care Action Campaign, 1988.

"Working Mother is Now Norm, Study Shows." *New York Times* (16 June 1988).

Zigler, Edward F. and Edmund W. Gordon. *Day Care: Scientific and Social Policy Issues*. Boston: Auburn House, 1982.

CHILD CARE ACTION CAMPAIGN
99 HUDSON STREET, ROOM 1233, NEW YORK, NY 10013 • (212) 334-9595